



2N Pharma ApS

Niels Jernes Vej 10
9220 Aalborg Øst
CVR No. 41169303

Annual report 14.02.2020 - 31.12.2020

The Annual General Meeting adopted the
annual report on 28.06.2021

Preben Bruun-Nyzell
Chairman of the General Meeting

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Entity details

Entity

2N Pharma ApS
Niels Jernes Vej 10
9220 Aalborg Øst

CVR No.: 41169303
Registered office: Aalborg Øst
Financial year: 14.02.2020 - 31.12.2020

Executive Board

Preben Bruun-Nyzell, CEO
John Nieland, CSO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Østre Havnepromenade 26, 4th floor
9000 Aalborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of 2N Pharma ApS for the financial year 14.02.2020 - 31.12.2020.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 14.02.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 28.06.2021

Executive Board

Preben Bruun-Nyzell
CEO

John Nieland
CSO

Independent auditor's extended review report

To the shareholders of 2N Pharma ApS

Conclusion

We have performed an extended review of the financial statements of 2N Pharma ApS for the financial year 14.02.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 14.02.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance about our conclusion on the financial statements and that we also perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our conclusion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity

personnel, performing analytical and the specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 28.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Peter Nørrevang

State Authorised Public Accountant
Identification No (MNE) mne11706

Management commentary

Primary activities

2N Pharma ApS is a private drug discovery and development company whose principal activity is to develop medicines for the treatment of diseases with high unmet medical needs. 2N Pharma has developed novel small-molecules that are being optimised for the treatment of neurodegenerative diseases.

Development in activities and finances

The loss for the period 14 February 2020 to 31 December 2020 amounted to DKK 0.188m and the balance sheet as of 31 December 2020 shows negative equity of DKK 0.148m.

The loss is mainly related to research activities not capitalised and management considers the financial performance satisfactory and in accordance with expectations.

Capital resources

The company initiated activities in 2020 and acquired small molecules developed by its parent company, 2N Pharma AB. During the period, the company incurred DKK 3.714m development costs that have been capitalised, as well as costs for research and other activities not capitalised, hence the equity as of 31 December 2020 was lost. Management considers this a temporary situation and expects equity to be reestablished through capital raises.

In August 2020, the company secured funding of up to DKK 10m through a convertible loan from the BioInnovation Institute Foundation, of which DKK 4.3m has been drawn down. In October 2020, the company obtained a loan of DKK 5.5m from Vækstfonden. As of 31 December 2020, the company had a cash position of DKK 6.193m and the possibility to draw down up to DKK 5.7m on the convertible loan. With this, it is management's assessment that the company has sufficient capital to sustain the current high levels of activity until the second quarter of 2022.

The management team is in advanced discussions with a range of Danish and international investment funds and pharmaceutical companies, and expects to raise additional capital during 2021.

Events after the balance sheet date

In May 2021, the company was awarded a grant of DKK 0.499m from Innovationsfonden to support the company's activities to develop a drug to treat Parkinson's Disease.

Income statement for 2020

	Notes	2020 DKK
Gross profit/loss		335,884
Staff costs	1	(593,806)
Depreciation, amortisation and impairment losses		(3,497)
Operating profit/loss		(261,419)
Other financial income		17,163
Other financial expenses		(4,269)
Profit/loss before tax		(248,525)
Tax on profit/loss for the year	2	60,595
Profit/loss for the year		(187,930)
Proposed distribution of profit and loss		
Retained earnings		(187,930)
Proposed distribution of profit and loss		(187,930)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK
Development projects in progress	4	3,714,149
Intangible assets	3	3,714,149
Other fixtures and fittings, tools and equipment		51,988
Property, plant and equipment	5	51,988
Fixed assets		3,766,137
Other receivables		40,000
Income tax receivable		811,062
Prepayments		22,813
Receivables		873,875
Cash		6,193,548
Current assets		7,067,423
Assets		10,833,560

Equity and liabilities

	Notes	2020 DKK
Contributed capital		40,000
Reserve for development expenditure		2,897,036
Retained earnings		(3,084,966)
Equity		(147,930)
Deferred tax		750,467
Provisions		750,467
Convertible and dividend-yielding debt instruments		9,952,000
Other payables		10,625
Non-current liabilities other than provisions	6	9,962,625
Trade payables		166,591
Other payables		101,807
Current liabilities other than provisions		268,398
Liabilities other than provisions		10,231,023
Equity and liabilities		10,833,560

Statement of changes in equity for 2020

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Contributed upon formation	40,000	0	0	40,000
Transfer to reserves	0	2,897,036	(2,897,036)	0
Profit/loss for the year	0	0	(187,930)	(187,930)
Equity end of year	40,000	2,897,036	(3,084,966)	(147,930)

Notes

1 Staff costs

	2020
	DKK
Wages and salaries	568,969
Other social security costs	3,143
Other staff costs	21,694
	593,806
Average number of full-time employees	1

2 Tax on profit/loss for the year

	2020
	DKK
Current tax	(811,062)
Change in deferred tax	750,467
	(60,595)

3 Intangible assets

	Development projects in progress
	DKK
Additions	3,714,149
Cost end of year	3,714,149
Carrying amount end of year	3,714,149

4 Development projects

The company's lead indication is amyotrophic lateral sclerosis (ALS), a rapidly progressing and fatal neurodegenerative disease. Every year approximately 20,000 patients in the seven major markets are diagnosed with ALS and there is currently no effective treatment available. Hence, there is a very large unmet medical need as well as a significant commercial potential. In addition, the company's medicine under development has applications in other neurodegenerative disorders, including Parkinson's Disease and multiple sclerosis. It is management's assessment that the company will be able to raise the required capital, and has the necessary expertise to successfully drive the pre-clinical and clinical development of the company's drug candidates.

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Additions	55,485
Cost end of year	55,485
Depreciation for the year	(3,497)
Depreciation and impairment losses end of year	(3,497)
Carrying amount end of year	51,988

6 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Convertible and dividend-yielding debt instruments	9,952,000	0
Other payables	10,625	10,625
	9,962,625	10,625

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

Non-comparability

This is the entity's first annual report which is why the annual report does not contain comparative financial data.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of equipment.

Other financial income

Other financial income comprises interest income on receivables from payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses on payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
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Items of equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.