

DANBORG

REVISION

Registreret

Revisionsanpartsselskab

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**Pephexia Therapeutics ApS  
Ole Maaløes Vej 3  
2200 København N**

**CVR-no: 41319208**

**ANNUAL REPORT  
1 January - 31 December 2021  
(2nd accounting year)**

Approved at the Annual General Meeting of the company on 11 May 2022,  
where it was decided that the annual report for the new financial year  
should not be audited, according to the Management's statement:

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Keld Fogtmann Fosgerau  
Chairman of the meeting

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## MANAGEMENT'S STATEMENT

Today the executive board and board of directors have discussed and approved the annual report of Pephexia Therapeutics ApS for the financial year 1 January - 31 December 2021.

The unaudited annual report has been prepared in conformity with the Danish Financial Statements Act. The executive board considers the conditions for not performing an audit to have been met. The executive board recommends that the annual report for the new financial year should not be audited, which is in accordance with the conditions of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, equity, liabilities and financial position at 31 December 2021 and of its financial performance for the period 1 January - 31 December 2021.

In our opinion the management commentary includes a fair review of the matters described.

We recommend that the annual report be approved by the Annual General Meeting.

Copenhagen, 25 April 2022

### **Executive board:**

Keld Fogtmann Fosgerau

### **Board of directors:**

Keld Fogtmann Fosgerau  
Chairman

Mats Peter Blom

Andrew Justin Stewart Coats

Yann Albert André Colardelle

## AUDITORS' COMPILATION REPORT ON FINANCIAL STATEMENTS

### To Management of Pephexia Therapeutics ApS

We have compiled these financial statements of Pephexia Therapeutics ApS for the financial year 1 January - 31 December 2021 based on the bookkeeping records of the company and other information provided by you.

The financial statements include accounting policies, income statement, balance sheet, statement of changes in equity and notes.

We have performed the compilation in accordance with International Standard ISRS 4410, Compilation Engagements.

We have applied our professional expertise to assist you in preparing and presenting the financial statements in conformity with the Danish Financial Statements Act. We have observed the relevant provisions of the Danish Act on Approved Auditors and Audit Firms and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark

The financial statements and the accuracy and completeness of the information used to compile the financial statements are your responsibility.

As a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us for use in the compilation of these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether the financial statements have been prepared in conformity with the Danish Financial Statements Act.

Birkerød, 25 April 2022

**DANBORG REVISION**  
**Registreret Revisionsanpartsselskab**  
CVR-nr.: 27289940

Preben Danborg  
Registreret revisor, FSR - danske revisorer  
mne2601

## MANAGEMENT COMMENTARY

**Main activities of the company**

As in the previous year, the main activity of the company is to develop new medicines for the treatment of diseases and thereby achieve future revenues from research and development.

**Development in the activities and the financial situation of the company**

The project which the company has started to develop a new and improved medical product has been carried out according to plan in 2021. In this connection the company had development costs of DKK 4,8 millions in the year 2021, and these expenses have all been charged to the income statement.

Management has chosen to change the accounting policies for the incurred development costs in the company, as the medical product is in an early phase in which a future value cannot be counted on. Therefore, all development costs are charged to the income statement of the company from the year 2021 and onwards. The capitalized development costs in 2020 of DKK 143.556 have therefore been charged to the income statement in the beginning of 2021 by deduction in the equity. The accumulated effect of this reduces the equity by DKK 111.974 in the beginning of the year 2021.

In April and June 2021 the company has increased its share capital by nominal DKK 6.284, whereby a total share premium of DKK 1.191.174 has been paid in. In this way the equity of the company has been increased by a total of DKK 1.197.458.

Two convertible loans of totally DKK 7,0 millions have been taken out as additional financing of the company's present development of the mentioned medical product in 2021.

The operation of the company has been as expected in the accounting year.

The company has lost more than half of the share capital. Management has received a funding commitment of DKK 4,7 millions and an additional loan of DKK 6 millions has been received as a loan commitment to provide for the necessary liquidity in the company.

In case of the company is not able to secure an additional funding management is able to reduce operational activities and maintain the company as a going concern until the end of 2022.

Based on this, it is management's assessment that the company's financial statements have been prepared using the going concern assumption.

In the long run management expects to restore its capital through earnings.

**Material events after the balance sheet date**

In February 2022 the company has received commitment for a funding of DKK 4.7 millions from Innovationsfonden.

Apart from this funding, no other events have occurred after the balance sheet date that may materially affect the financial position of the company.

**Expected development, including special assumptions and uncertain factors**

Management expects a continued progress in the development of the medical product and that it will be closer to a clinical testing.

The financial resources of the company are expected to be sufficient during the new financial year.

## ACCOUNTING POLICIES

**GENERAL INFORMATION**

The financial statements of Pephexia Therapeutics ApS for the financial year 2021 have been prepared in conformity with the provisions of the Danish Financial Statements Act on class B enterprises combined with a few rules on class C enterprises.

Furthermore the company has chosen to add a statement of changes in equity as described in the Danish Financial Statements Act § 86 a.

The financial statements are present in Danish currency (DKK).

The income statement is classified by nature and present financial statements in report form.

**Changes in accounting policies**

The accounting policies have changed as follows:

The incurred development costs in the company are recognised in the income statement.

Last year (1st financial year) the development costs were recognised under intangible assets at cost according to the rules applicable to class C enterprises.

The change in accounting policies has been decided due to the early phase of the product development. Listing the incurred development costs as intangible asset would not have given a true and fair view.

This change entails a negative impact on loss from activities before tax of DKK 4.815.866 and on net loss for the year of DKK 3.756.375. Equity at 31 December 2021 is decreased by DKK 3.756.375.

Tax on the accounting policy change amounts to DKK 1.059.491, resulting in an increase in profit for the year after tax by DKK 1.059.491. Due to the the change, the deferred income tax at 31 December 2021 is decreased by DKK 1.059.491.

Comparative figures have been restated to reflect the change in accounting policies in conformity with the Danish Financial Statements Act.

The accumulated effect of the change in accounting policies at the beginning of the year 2021 is recognised directly in the opening equity balance as detailed in the statement of changes in equity.

Except for the above-mentioned fields of the accounting policies, the accounting policies are consistent with those of the previous year.

**Recognition and measurement in general**

Income is recognised in the income statement when earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement. Costs incurred to generate the earnings for the year are also recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future financial benefits will flow to the Company and it is possible to obtain a reliable measurement of the individual assets.

Liabilities are recognised in the balance sheet when it is probable that future financial benefits will flow from the Company and it is possible to obtain a reliable measurement of the individual liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

Anticipated losses and risks arising before the presentation of the financial statements and confirming or disconfirming facts and circumstances known at the reporting date are taken into consideration at recognition and measurement.

Receivables, accounts payable and other monetary items denominated in a foreign currency, but not settled at the reporting date, are translated at the exchange rates ruling at the reporting date. Exchange rate differences between the exchange rates at the reporting date and the date of the individual transaction are recognised in the income statement as financial income or financial expenses.

## ACCOUNTING POLICIES

**INCOME STATEMENT****Revenue**

Revenue from grants during the development period for new medicines for the treatment of diseases is recognised in the income statement when conditions set by founder have been met. Revenue is recognised net of VAT, duties and discounts.

**Production and development costs**

Research and development costs are recognised under production and development costs. Furthermore, a provision for loss on the projects is also recognised.

**Other external expenses**

Other external expenses include costs for sales, advertising, administration, premises, bad debts, rental expenses and legal costs.

Assets with a unit cost of less than DKK 30.700 (excl. VAT) are recognised as expenses in the income statement in the year of acquisition.

**Staff costs**

Staff costs include wages, salaries, social security contributions, pension contributions and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement from the Government.

**Financial income and expenses**

Financial income and expenses are recognised in the income statement based on the amounts which relate to the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses on securities, accounts payable and transactions in foreign currencies.

Dividends from other equity investments are recognised as income in the financial year in which the dividends are declared.

**Tax on net profit for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax. The share attributable to the profit or loss for the year is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

Any change in deferred tax as a result of changes in the tax rate, the share attributable to the profit is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

The company and 2 other danish companies are assessed jointly for Danish tax purposes. The joint taxation contributions are recognised in the consolidated income statement and are recognised in the balance sheet as a asset/liability to nominal value at the relevant company at the balance sheet date.

The tax effect of joint taxation scheme is allocated to both profit and loss of the enterprises in proportion to their taxable income.

The company and the other jointly taxed entities of the group are jointly and severally liable for the payment of corporate income taxes and withholding taxes.

**BALANCE SHEET****Receivables**

Receivables are measured at amortised cost, which normally corresponds to the nominal value. The value is reduced by an allowance for expected impairment losses.

Impairment of accounts receivable past due is established on individual assessment of receivables.

**Cash**

Cash comprises bank deposits.

## ACCOUNTING POLICIES

**Equity****Reserve for development costs**

Development cost reserve includes recognised development costs. The reserve is not available for the payment of dividends or losses. The reserve is reduced or dissolved by depreciation of the recognised development costs or abandonment of the activity. Such reduction or dissolution is made by means of a transfer to distributable reserves.

**Provisions**

Provisions include expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at value in use.

**Corporate income tax and deferred tax**

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured using the balance-sheet liability method on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. In cases where the tax base can be determined under alternative taxation rules, such as in relation to shares, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are measured at their anticipated net realisable value, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at their net realisable values.

For the time the deferred tax asset calculated at the balance sheet date does not have an anticipated net realisable value.

**Payables**

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest method, so that the difference between proceeds and nominal value is recognised in the income statement over the life of the financial instrument(s).

Other payables, comprising convertible loans, trade payables, amounts owed to group enterprises and to owners and management, and other accounts payable, are measured at amortised cost, which normally corresponds to the nominal value.



INCOME STATEMENT  
1 JANUARY - 31 DECEMBER 2021

	2021 Kr.	2020 Kr. 1.000
<u>Note</u>		
Revenue .....	626.000	0
Production and development costs .....	-4.815.866	-144
Other external costs .....	-548.171	-147
<b>GROSS MARGIN</b> .....	<b>-4.738.037</b>	<b>-291</b>
2 Staff costs .....	-860.801	0
<b>OPERATING PROFIT OR LOSS</b> .....	<b>-5.598.838</b>	<b>-291</b>
3 Other financial income .....	1.126	0
4 Other financial income from group enterprises .....	1.342	0
5 Other financial expenses .....	-116.713	-5
<b>PROFIT OR LOSS FROM ACTIVATES BEFORE TAX</b> .....	<b>-5.713.083</b>	<b>-296</b>
6 Tax on net profit for the year, income .....	1.180.755	54
<b>PROFIT OR LOSS FOR THE YEAR</b> .....	<b>-4.532.328</b>	<b>-242</b>
<b>PROPOSED DISTRIBUTION OF NET PROFIT</b>		
Retained earnings .....	-4.532.328	-242
<b>SETTLEMENT OF DISTRIBUTION TOTAL</b> .....	<b>-4.532.328</b>	<b>-242</b>

BALANCE SHEET AT 31 DECEMBER 2021  
ASSETS

	2021 Kr.	2020 Kr. 1.000
<u>Note</u>		
Trade receivables.....	0	0
7 Receivables from group enterprises.....	122.637	54
8 Other receivables.....	1.160.649	27
	<hr/>	<hr/>
<b>Receivables</b> .....	<b>1.283.286</b>	<b>81</b>
	<hr/>	<hr/>
<b>Cash</b> .....	<b>3.528.850</b>	<b>707</b>
	<hr/>	<hr/>
<b>CURRENT ASSETS</b> .....	<b>4.812.136</b>	<b>788</b>
	<hr/>	<hr/>
<b>ASSETS</b> .....	<b>4.812.136</b>	<b>788</b>
	<hr/> <hr/>	<hr/> <hr/>

BALANCE SHEET AT 31 DECEMBER 2021  
EQUITY AND LIABILITIES

	2021 Kr.	2020 Kr. 1.000
<u>Note</u>		
Contributed capital .....	58.570	52
Retained earnings .....	-2.710.639	630
<b>EQUITY</b> .....	<b>-2.652.069</b>	<b>682</b>
9 Provision for deferred tax .....	0	0
<b>PROVISIONS</b> .....	<b>0</b>	<b>0</b>
Convertible and profit-sharing debt instruments.....	7.089.534	0
<b>10 Long-term payables</b> .....	<b>7.089.534</b>	<b>0</b>
Trade creditors .....	269.140	26
Other accounts payable .....	105.531	0
11 Payables to owners and management.....	0	80
<b>Short-term payables</b> .....	<b>374.671</b>	<b>106</b>
<b>PAYABLES</b> .....	<b>7.464.205</b>	<b>106</b>
<b>EQUITY AND LIABILITIES</b> .....	<b>4.812.136</b>	<b>788</b>
12 Contractual obligations and contingent items, etc.		
13 Charges and securities		

## STATEMENT OF CHANGES IN EQUITY

	2021 Kr.	2020 Kr. 1.000
Contributed capital opening .....	52.286	0
Cash capital increase .....	6.284	52
<b>Contributed capital closing balance</b> .....	<b>58.570</b>	<b>52</b>
Share premium for the year .....	1.191.174	872
Transferred to retained earnings .....	-1.191.174	-872
<b>Share premium closing balance</b> .....	<b>0</b>	<b>0</b>
Reserve for development costs opening .....	111.974	0
Korrektion primo .....	-111.974	0
<b>Reserve for development costs closing balance</b> .....	<b>0</b>	<b>0</b>
Retained earnings at beginning of period .....	630.515	0
Transferred from reserve for development costs .....	111.974	0
Correction, change in accounting policies .....	-111.974	0
Retained earnings opening balance .....	630.515	0
Profit for the year .....	-4.532.328	-242
Transferred from share premium account .....	1.191.174	872
<b>Retained earnings closing balance</b> .....	<b>-2.710.639</b>	<b>630</b>
<b>EQUITY</b> .....	<b>-2.652.069</b>	<b>682</b>

## NOTES

**1 Uncertainty regarding the going concern status**

The net operating loss after tax for the financial year 2021 is calculated at DKK 4.532.328, and the equity at the balance sheet date is calculated at DKK -2.652.069 (negative) in the company. This situation is caused by financial expenditure associated with the development of a medical product.

It is the assessment of management that the financial resources of the company are expected to be sufficient during the new financial year. Considerable additional funding commitment and a loan for the development have been achieved. Collectively, this will contribute to an operation without liquidity issues. Therefore, the financial statements have been prepared using the going concern assumption.

	2021 Kr.	2020 Kr. 1.000
<b>2 Staff costs</b>		
Number of people employed, average .....	2	0
	<hr/>	<hr/>
Wages and salaries .....	859.160	0
Other social security costs.....	1.641	0
	<hr/>	<hr/>
	<b>860.801</b>	<b>0</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>3 Other financial income</b>		
Capital gains, payables .....	1.126	0
	<hr/>	<hr/>
	<b>1.126</b>	<b>0</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>4 Other financial income from group enterprises</b>		
Interest income, company in group .....	1.342	0
	<hr/>	<hr/>
	<b>1.342</b>	<b>0</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>5 Other financial expenses</b>		
Capital losses, payables .....	7.277	0
Interest expenses, bank .....	14.646	1
Interest expenses, convertible loans .....	89.534	0
Interest expenses, shareholder .....	5.247	4
Interest expenses, tax authorities .....	9	0
	<hr/>	<hr/>
	<b>116.713</b>	<b>5</b>
	<hr/> <hr/>	<hr/> <hr/>

## NOTES

	2021 Kr.	2020 Kr. 1.000
<b>6 Tax on net profit for the year</b>		
Calculated tax on net profit for the year, income .....	-1.180.755	-54
Adjustment of deferred tax .....	0	0
	<u><b>-1.180.755</b></u>	<u><b>-54</b></u>

Tax on net profit for the year at DKK 1.180.755 includes a calculated tax base for the incurred development costs for the year (a special Danish tax reimbursement scheme) and a calculated reimbursement from other companies in the group for using a part of the tax loss for the year.

<b>7 Receivables from group enterprises</b>		
Receivables regarding tax reimbursement, company .....	122.637	54
	<u><b>122.637</b></u>	<u><b>54</b></u>
<b>8 Other receivables</b>		
VAT receivable.....	101.189	27
Receivable from the Danish tax reimbursement scheme .....	1.059.460	0
	<u><b>1.160.649</b></u>	<u><b>27</b></u>

**9 Deferred tax**

The deferred tax asset, including the tax base of tax losses allowed for carryforward, is calculated at DKK 388.130 at the balance sheet date.

For the time the deferred tax asset does not have an anticipated net realisable value and therefore it is not recognised in the balance sheet.

	Total liabilities at <u>end of period</u>	Outstanding balance after <u>5 years</u>
<b>10 Long-term payables</b>		
Convertible debt instruments, 2 loans incl. interests .....	7.089.534	0
	<u><b>7.089.534</b></u>	<u><b>0</b></u>

## NOTES

	2021 Kr.	2020 Kr. 1.000
<b>11 Payables to owners and management</b>		
Debt to owners and management .....	0	80
	<u>0</u>	<u>80</u>

**12 Contractual obligations and contingent items, etc.**

The company has accepted a lease contract regarding office rooms in Copenhagen. The total rental obligation is calculated at DKK 910.000 (excl. VAT) at the balance sheet date for the coming 14 months.

The company is assessed for tax purposes jointly with 2 other domestic enterprises of the group. The company and the other companies participating in joint taxation are fully, jointly and severally liable for Danish corporate income taxes and withholding taxes on dividends, interests and royalties payable by the jointly taxed companies.

The corporate income tax payable in the group was totally DKK 44.144 at the balance sheet date and the tax amount was paid in January 2022.

Any subsequent corrections of taxable income subject to joint taxation or of withholding taxes withheld may increase the liability of the company.

The company does not have other contractual obligations or contingent liabilities at the balance sheet date.

**13 Charges and securities**

The company has no assets charged or otherwise provided as security at the balance sheet date.

# PENNEO

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

## Keld Fogtmann Fosgerau

### Direktør

On behalf of: Selskabet + Executive board + Board of ...

Serial number: PID:9208-2002-2-546369538733

IP: 147.78.xxx.xxx

2022-05-12 09:55:51 UTC

NEM ID 

## Keld Fogtmann Fosgerau

### Bestyrelsesformand

On behalf of: Selskabet + Executive board + Board of ...

Serial number: PID:9208-2002-2-546369538733

IP: 147.78.xxx.xxx

2022-05-12 09:55:51 UTC

NEM ID 

## MATS BLOM

### Bestyrelsesmedlem

On behalf of: Bestyrelsen/ Board of directors

Serial number: 19650211xxxx

IP: 91.130.xxx.xxx

2022-05-12 13:19:57 UTC



## Yann Albert André Colardelle

### Bestyrelsesmedlem

On behalf of: Bestyrelsen / Board of directors

Serial number: yanncol@mededgs.com

IP: 84.14.xxx.xxx

2022-05-12 13:36:45 UTC

Yann Colardelle

## Andrew Justin Stewart Coats

### Bestyrelsesmedlem

On behalf of: Bestyrelsen / Board of directors

Serial number: andrewjcoats@gmail.com

IP: 31.221.xxx.xxx

2022-05-16 14:01:15 UTC



## Preben Arnt Danborg

### Godkendt revisor

On behalf of: Danborg Revision Registreret Revisionsa...

Serial number: PID:9208-2002-2-011846683569

IP: 81.27.xxx.xxx

2022-05-16 18:55:03 UTC

NEM ID 

## Keld Fogtmann Fosgerau

### Dirigent

On behalf of: Selskabet + Executive board + Board of ...

Serial number: PID:9208-2002-2-546369538733

IP: 213.237.xxx.xxx

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