Pephexia Therapeutics ApS

Ole Maaløes Vej 3, 3., 2200 København N

Company reg. no. 41 31 92 08

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 15 May 2023.

Keld Fogtmann Fosgerau
Chairman of the meeting

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

	Page
Reports	
Management's statement	1
Independent auditor's report	2
Management's review	
Company information	5
Financial highlights	6
Management´s review	7
Financial statements 1 January - 31 December 2022	
Accounting policies	8
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Notes	16

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Pephexia Therapeutics ApS for the financial year 1 January - 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

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

København N, 15 May 2023

Managing Director

Keld Fogtmann Fosgerau

Board of directors

Anders Mørkeberg Hinsby	Keld Fogtmann Fosgerau	Yann Albert André Colardelle
Mats Peter Blom	Andrew Justin Stewart Coats	

Independent auditor's report

To the Shareholders of Pephexia Therapeutics ApS

Opinion

We have audited the financial statements of Pephexia Therapeutics ApS for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the uncertainty concerning the company's ability to continue as a going concern. We refer to note 1, where the uncertainty is described. The going concern dependes on the expressions regarding supply of liquidity actually being completed. Our opinion is not modified based on this matter.

Ohter Matter - Scope of the Audit

Effective as from the current financial year, Pephexia Therapeutics ApS is subject to audit obligations. We must emphasize, as it also appears from the annual accounts, that no audit of the comparative figures in the annual accounts has been carried out.

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

Independent auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Glostrup, 15 May 2023

PKF Munkebo Vindelev
State Authorised Public Accountants
Company reg. no. 14 11 92 99

Thomas Funch
State Authorised Public Accountant
mne47782

Company information

The company	Pephexia Therapeutics ApS Ole Maaløes Vej 3, 3. 2200 København N	
	Company reg. no.	41 31 92 08
	Established:	24 April 2020
	Domicile:	City of Copenhagen
	Financial year:	1 January - 31 December 3rd financial year
Board of directors	Anders Mørkeberg Hinsby Keld Fogtmann Fosgerau Yann Albert André Colardelle Mats Peter Blom Andrew Justin Stewart Coats	
Managing Director	Keld Fogtmann Fosgerau	
Auditors	PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab Hovedvejen 56 2600 Glostrup	
Bankers	Jyske Bank, Vestergade 8-16, 8600 Silkeborg	

Financial highlights

DKK in thousands.	2022	2021	2020
Income statement:			
Gross loss	-5.266	-4.738	-291
Profit from operating activities	-7.864	-5.599	-291
Net financials	-684	-114	-5
Net profit or loss for the year	-6.677	-4.532	-242
Statement of financial position:			
Balance sheet total	9.746	4.812	788
Equity	-7.146	-2.652	682
Employees:			
Average number of full-time employees	3	1	0

The financial highlights for 2020 solely comprise the period 24 April - 31 December 2020.

Management´s review

Description of key activities of the company

Like previous years, 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.

Uncertainties connected with recognition or measurement

The preparation of the financial statements requires an assesment in the validity of the going concern assumption. The management has reviewed projections for a period of 12 months from the date of approval of the financial statements as well as potential opportunities. Any potential short falls in funding have been identified and the steps to which the management is able to mitigate such scenarios and/or defer or curtail discretionary expenditures have been taken.

The management recognises that there is a level of uncertainty as to going concern. However, the management has a reasonable expectaction that the company can maintain their existing credit facilities and if necessary expand these. Accordingly, the management believes it is appropriate to adopt going concern basis in the preparation of the financial statements.

Development in activities and financial matters

The gross loss for the year totals DKK -5.266.000 against DKK -4.738.000 last year. Loss from ordinary activities after tax totals DKK -6.677.000 against DKK -4.532.000 last year. Management considers the net loss for the year satisfactory.

Capital loss

The company has lost the equity and is thereby included in the regulation of the Danish Company Act. art. 119. It is the management's expectation, that the share capital will be reestablished by a combination of capital increase and future earnings.

Events occurring after the end of the financial year

No events has occured subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies

The annual report for Pephexia Therapeutics ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

Changes in the accounting policies

Receivable income tax is recognized in the parent company instead of in the company's annual report. The change have no impact on neither profit, balance sheet total nor equity.

Comparative figures have been adjusted to the changed accounting policies.

Except for the above, the accounting policies remain unchanged from last year.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross loss

Gross loss comprises the revenue, research and developments costs, other operating income and other external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external costs comprise costs incurred for sales, premises and administration.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Research and development costs

Research and development costs comprise costs directly or indirectly attributable to the company's research and development activities.

Research costs are recognised in the income statement in the year incurred.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses as well as debt and transactions in foreign currency

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Accounting policies

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Receivables from group enterprises” or “Payables to group enterprises”.

According to the rules of joint taxation, Pephexia Therapeutics ApS is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Convertible and profit sharing debt instruments

Convertible bonds are issued at a fixed conversion price and is regarded as composite instruments comprising a financial liability measured at amortised cost and an equity instrument in the form of the integral conversion right. Fair value of the financial liability is determined on the date of issue by applying a market rate for a similar non-convertible debt instrument. The difference between the proceeds from issuing the convertible debt instrument and the fair value of the financial liability, corresponding to the integral option to convert the liability to shareholders’ equity, is recognised directly in the shareholders’ equity. The value of the financial liability is recognised as long-term debts and subsequently measured at amortised cost. When extending convertible bonds, a calculation is made at amortised cost relative to the extension. Any difference is recognised in the income statement.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2022	2021 (non audited)
	Gross loss	**-5.266.259**	**-4.738.037**
2	Staff costs	-2.597.756	-860.801
	Operating profit	**-7.864.015**	**-5.598.838**
	Other financial income from group enterprises	2.427	1.342
	Other financial income	19.137	1.126
	Other financial expenses	-705.614	-116.713
	Pre-tax net profit or loss	**-8.548.065**	**-5.713.083**
3	Tax on net profit or loss for the year	1.870.599	1.180.755
	Net profit or loss for the year	**-6.677.466**	**-4.532.328**
	Proposed distribution of net profit:		
	Allocated from retained earnings	-6.677.466	-4.532.328
	Total allocations and transfers	**-6.677.466**	**-4.532.328**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2022	2021 (non audited)
	Current assets		
	Receivables from group enterprises	1.870.577	1.182.097
	Other receivables	1.083.302	101.189
	Prepayments	145.513	0
	Total receivables	3.099.392	1.283.286
	Cash and cash equivalents	6.647.008	3.528.850
	Total current assets	**9.746.400**	**4.812.136**
	Total assets	**9.746.400**	**4.812.136**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2022	2021 (non audited)
	Equity		
	Contributed capital	62.387	58.570
	Retained earnings	-7.208.598	-2.710.639
	Total equity	**-7.146.211**	**-2.652.069**
	Liabilities other than provisions		
	Other payables	12.461.503	7.089.534
4	Total long term liabilities other than provisions	12.461.503	7.089.534
4	Current portion of long term liabilities	3.266.275	0
	Trade payables	511.139	269.140
	Payables to group enterprises	9.131	0
	Other payables	184.763	105.531
	Deferred income	459.800	0
	Total short term liabilities other than provisions	4.431.108	374.671
	Total liabilities other than provisions	**16.892.611**	**7.464.205**
	Total equity and liabilities	**9.746.400**	**4.812.136**

1 Uncertainties relating to going concern

5 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Retained earnings	Total
Equity 1 January 2021	52.286	0	630.515	682.801
Cash capital increase	6.284	1.191.174	0	1.197.458
Retained earnings for the year	0	0	-4.532.328	-4.532.328
Transferred to retained earnings	0	-1.191.174	0	-1.191.174
Transferred from share premium	0	0	1.191.174	1.191.174
Equity 1 January 2022	58.570	0	-2.710.639	-2.652.069
Cash capital increase	3.817	2.179.507	0	2.183.324
Retained earnings for the year	0	0	-6.677.466	-6.677.466
Transferred to retained earnings	0	-2.179.507	0	-2.179.507
Transferred from share premium	0	0	2.179.507	2.179.507
	62.387	**0**	**-7.208.598**	**-7.146.211**

Notes

All amounts in DKK.

1. Uncertainties relating to going concern

The management recognises that there is a level of uncertainty as to going concern. However, the management has a reasonable expectation that the company can maintain their existing credit facilities and if necessary expand these. Accordingly, the management believes it is appropriate to adopt the going concern basis in the preparation of the financial statements.

	2022	2021 (non audited)
2. Staff costs		
Salaries and wages	2.198.967	780.340
Pension costs	389.701	78.000
Other costs for social security	9.088	2.461
	2.597.756	**860.801**
Average number of employees	3	1
3. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	-1.870.599	-1.180.755
	-1.870.599	**-1.180.755**

4. Long term labilities other than provisions

	Total payables 31 Dec 2022	**Current portion of long term payables**	**Long term payables 31 Dec 2022**	**Outstanding payables after 5 years**
Other payables	15.727.778	3.266.275	12.461.503	0
	15.727.778	**3.266.275**	**12.461.503**	**0**

Notes

All amounts in DKK.

5. Contingencies

Contingent assets

The company has a not recognized deferred tax asset of t.DKK 981 due to uncertainty regarding future usage.

Contingent liabilities

Rental liabilities

The company has entered into a tenancy agreements. The company has a rental commitment of t.DKK 195 as of 31 December 2022.

Joint taxation

With Fogtmann Fosgerau Holding ApS, company reg. no 41 24 14 70 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.