Synklino

CVR No
38 77 86 76

Annual report for

1 January
-
31 December 2020

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15 June 2021

John Sørensen Haurum
Chairman

Contents

Management's Statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Synklino ApS for the financial year 1 January – 31 December 2020.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations and cash flows for the financial year 1 January - 31 December 2020.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Charlottenlund, 15 June 2021

Executive Board

Thomas Nitschke Kledal

Board of Directors

John Sørensen Haurum (chairman)

Mette Marie Rosenkilde

Mads Aage Laustsen

Thomas Nitschke Kledal

Independent Auditor's Report

To the Shareholders of Synklino ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements for the financial year 1 January - 31 December 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("financial statements").

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' 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
The Company's budget for 2021 indicates that further financing in form of loans or equity is needed in 2021. It is Management's assessment that the Company will secure the necessary financing in 2021. We draw attention to the matters set forth in Note 16 indicating that material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 International Financial Reporting Standards as adopted by the EU and further requirements in 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.

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 controls 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 controls.

• 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.

Copenhagen 15 June 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

André Nielsen
State Authorised Public Accountant
mne46624

Company information

Company
Synklino ApS
Rådhusvej 13
2920 Charlottenlund

Central Business Registration No: 38 77 86 76
Registered in Gentofte

Executive Board
Thomas Nitschke Kledal

Board of Directors
John Sørensen Haurum (Chairman)
Mette Marie Rosenkilde
Mads Aage Laustsen
Thomas Nitschke Kledal

Financial year
1 January - 31 December

Auditors
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Income Statement

	Notes	2020 DKK	2019 DKK
Revenue from contract with customers	4	0	500,000
		0	**500,000**
Employee costs	5.6	(4,259,958)	(2,178,691)
Depreciation of property, plant and equipment		(4,604)	(4,604)
Other operating income		0	(27,465)
Other external expenses	6	(5,195,986)	(3,048,263)
Operating profit/loss		**(9,460,548)**	**(4,759,023)**
Financial income	7	39,553	0
Financial expenses	8	(2,609,223)	(181,252)
Profit/loss before tax		**(12,030,218)**	**(4,940,275)**
Income tax	9	1,442,004	858,572
Profit/loss for the year		**(10,588,214)**	**(4,081,703)**

Statement of comprehensive income

	2020 DKK	2019 DKK
Profit/loss for the year	(10,588,214)	(4,081,703)
Total comprehensive income for the period	**(10,588,214)**	**(4,081,703)**

Balance sheet

	Notes	31 December 2020 DKK	31 December 2019 DKK	1 January 2019 DKK
Property, plant and equipment	10	2,631	7,235	11,839
Total non-current assets		**2,631**	**7,235**	**11,839**
Trade receivables		0	0	100,000
Income tax receivables	9	1,438,074	860,476	0
Prepayments		6,841	39,664	29,658
Other receivables		303,500	176,208	162,353
Receivables from shareholder and management		0	0	43,750
Cash and cash equivalents		12,730,951	1,935,771	1,174,945
Total current assets		**14,479,366**	**3,012,119**	**1,510,706**
Total assets		**14,481,997**	**3,019,354**	**1,522,545**

Balance sheet

	Note	31 December 2020 DKK	31 December 2019 DKK	1 January 2019 DKK
Share capital	14	59,418	54,412	54,412
Accumulated deficit etc.		(12,558,929)	(3,080,143)	1,001,560
Total equity		**(12,499,511)**	**(3,025,731)**	**1,055,972**
Borrowings	12	7,186,952	2,812,376	0
Total non-current liabilities		**7,186,952**	**2,812,376**	**0**
Borrowings	12	17,151,718	2,355,964	0
Trade payables		1,401,501	594,400	133,716
Deferred tax liabilities	11	579	4,509	2,605
Income tax payables		0	0	26,532
Other payables		1,240,758	277,836	303,720
Total current liabilities		**19,794,556**	**3,232,709**	**466,573**
Total liabilities		**26,981,508**	**6,045,085**	**466,573**
Total equity and liabilities		**14,481,997**	**3,019,354**	**1,522,545**

Statement of changes in equity

	Notes	Share capital DKK	Accumulated deficit etc. DKK	Total equity DKK
Equity at 1 January 2019		**54,412**	**1,001,560**	**1,055,972**
Total comprehensive income		0	(4,081,703)	(4,081,703)
Equity at 31 December 2019		**54,412**	**(3,080,143)**	**(3,025,731)**
Equity at 1 January 2020		**54,412**	**(3,080,143)**	**(3,025,731)**
Total comprehensive income		0	(10,588,214)	(10,588,214)
Capital increase	14	5,006	1,109,428	1,114,434
Equity at 31 December 2020		**59,418**	**(12,558,929)**	**(12,499,511)**

Cash flow statement

	Notes	2020 DKK	2019 DKK
Profit/loss for the year		(10,588,214)	(4,081,703)
Changes in net working capital	21	1,675,554	554,709
Adjustments	21	1,096,264	(685,628)
Income taxes paid/received		860,476	(26,552)
Net cash flow from operating activities		**(6,955,920)**	**(4,239,174)**
Purchase of property, plant and equipment	10	0	0
Net cash flow from investing activities		**0**	**0**
Proceeds from borrowings	12	17,636,666	5,000,000
Proceeds from share issues	14	114,434	0
Cash flow from financing activities		**17,751,100**	**5,000,000**
Net cash flow for the year		**10,795,180**	**760,826**
Cash and cash equivalents, beginning of the year		1,935,771	1,174,945
Cash and cash equivalents at end of the year		**12,730,951**	**1,935,771**

Notes

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Notes

1. Accounting policies

The activities of Synklino are focused on research and development to develop a treatment against cytomegalovirus (CMV) which is a devastating virus infection that is particularly dangerous to patients in the post-transplant setting.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional Danish disclosure requirements applying to entities of reporting class B for small enterprises with optional inclusion of some requirements in class C.

The annual report has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value.

First time adoption

This Annual Report is the first Annual Report that is presented in accordance with IFRS. The comparative figures for 2019 in the income statement and the balance sheet items as at 1 January 2019 and 31 December 2019 were restated in accordance with IFRS. The accounting policies applied are based on the standards and interpretations effective for 2020. No standards or interpretations which are not yet effective have been adopted.

The disclosures required by IFRS 1 First-time Adoption of International Financial Reporting Standards, concerning the transition from the Danish Financial Statements Act to IFRS, are provided in note 22.

Foreign currency translation

Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in DKK which is the entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement.

Revenue

In prior years the Company generated revenue for performing research activities for other entities. The performance obligations are satisfied over time and revenue is recognized on a straight-line basis over the period the research activities are performed. Revenue is only recognised when it is probable that the company will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer.

There is no variable consideration included in the transaction price.

Employee costs

Employee costs comprise salaries and wages, including holiday pay and pensions and other costs for social security, etc. for the Company's employees.

Other operating income

Other operating income comprise items of a secondary nature to the main activities of the Company, including received grants.

Notes

Other external expenses

Other external expenses consist of cost to consultants, advisors and office related expenses etc.

Reseach and development cost

Research and development expenses include wages and salaries, external research and development expenses, expenses relating to obtaining and maintaining patents etc.

The research and development activities are comprised of clinical-enabling activities for product candidates. In line with industry practice, internal and subcontracted development costs are expensed as they are incurred. Due to significant regulatory uncertainties and other uncertainties inherent in the development of new products, development expenses do not qualify for capitalization as intangible assets until marketing approval by a regulatory authority is obtained or considered highly probable.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that relate to the financial year. Net financials include interest income and expenses, changes of fair value of embedded derivatives etc.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Research and development tax credit related to the tax value of certain research and development expenses are considerd part of income taxes.

Notes

Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation. The cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciations are calculated using the straight-line method, net of their residual values over their estimated useful lives, as follows:

Other plant, fixtures and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as other operating income/expenses.

Leases

Leases include office desks and laboratory benches.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability, and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Variable lease payments and payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss under the line item Other external expenses. Short-term leases are leases with a lease term of 12 months or less. The Company has no leases of low-value assets.

Impairment of non-current assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Company holds the trade receivables with the objective to collect the contractual cash flows and then measures them subsequently at amortised cost.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Prepayments

Prepayments recognised as an asset comprise prepaid expenses regarding subsequent financial reporting years.

Other receivables

Other receivables consist of VAT etc. and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances.

Equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Share premium

Premium on issue of shares are recognised as part of retained earnings etc.

Borrowings

Loan agreements under which the company does not have an unconditional right to avoid repayment in cash or where the company has an obligation to deliver a variable number of its own equity instruments are classified as financial liabilities. Financial liabilities are initially measured at fair value which is generally equal to the proceeds obtained. Non closely related embedded derivatives are separated from the host liability contract and measured at fair value through the income statement. The difference between the fair value of the financial liability and the initial fair value of the non closely related embedded derivatives is considered the initial carrying amount of the liability host contract. Transaction costs are allocated proportionately between the non closely related embedded derivatives and the host liability. The difference between the initial amount allocated to the liability host contract less transaction costs and the principal is amortised under the effective interest method as part of interest expense over the term of the loan.

The company has loans with the following non closely related embedded derivatives: conversion discount subject to certain events occurring and payment linked to equity investor exit depending on the return obtained by the equity investors.

Fair value of the embedded derivatives is determined based on option pricing models and assessment of the likelihood of an event qualifying for conversion at a discount or an exit taking place.

Other financial liabilities

Other financial liabilities, including trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost.

Notes

Cash flow statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, changes in fair value of embedded derivatives etc. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from acquisitions and disposals of property, plant and equipment.

Cash flows from financing activities comprise cash flows from the raising and repayment of long term debt as well as payments to and from shareholders.

Standards issued but not yet effective

Consist of new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements. These standards are either considered irrelevant or insignificant to Synklino.

Notes

2. Significant accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Companys's accounting policies.

The judgements, estimates and the related assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most significant judgements and estimates, including the assumptions, for the individual items are described below.

Significant accounting estimates

Significant accounting estimates are expectations of the future based on assumptions, that to the extent possible are supported by historical trends or reasonable expectations. The assumptions may change to adapt to market conditions and changes in economic factors etc. The Company believes that the estimates are the most likely outcome of future events.

Borrowings
The borrowings issued by the Company comprise certain non closely related embedded derivatives which are measured at fair value. None of the significant inputs applied are observable and consequently represent level 3 measurements in the fair value hierarchy.

The assumptions to which the fair value of the embedded derivatives is most sensitive to is stated in note 12.

Reasonably possible alternative assumptions could have resulted in significantly different fair values.

Significant accounting judgements

Key accounting judgements are made when applying accounting policies. Key accounting judgements are the judgements made by the Company that can have a significant impact on the amounts recognised in the financial statements.

Development costs
As the company is involved in developing a new drug it incur significant research and development costs. There is no definitive starting point for capitalizing such internal development costs. Management must use its judgement, based on the facts and circumstances of each project. The release of a new drug is strictly controlled by legislation and has to pass a number of clinical trials before it can obtain a marketing approval. As the company has not received regulatory authority for final approval of the drug it is management's judgement that the company has not yet finally proved technical feasibility of the product and therefore development costs are not capitalized.

Notes

3. Primary activities

The activities of Synklino are focused on research and development to develop a treatment against cytomegalovirus (CMV) which is a devastating virus infection that is particularly dangerous to patients in the post-transplant setting. The treatment of CMV represents a significant unmet clinical need given that CMV is associated with increased hospital readmission rates, increased transplantation costs and increased morbidity and mortality. Synklino's first-in-class drug candidate SYN002 specifically targets CMV infection in transplantation and aims to both control and cure CMV. SYN002 is currently in the pre-clinical phase of development.

4. Revenue from contracts with customers

The Company derived revenue from the rental of employees to other research entities in Denmark. All revenue was recognised over time on a straight-line basis.

5. Employee costs	2020 DKK	2019 DKK
Wages and salaries	4,185,474	2,160,622
Other social security costs	12,780	9,886
Other employee cost	61,704	8,183
	4,259,958	**2,178,691**
Average number of employees	4	2

Key Management Compensation

Key Management consists of the Executive Board and the Board of Directors. The compensation paid or payables to key management for employee services is shown below:

Executive Board:	2020 DKK	2019 DKK
Wages and salaries	1,221,000	738,857
Pensions	0	27,000
Total	**1,221,000**	**765,857**
Board of Directors:		
Board fee	223,400	149,000
Total	**223,400**	**149,000**
Total compensation of key management personnel	**1,444,400**	**914,857**

6. Research and development cost

Research and development cost recognized under other external expenses and employee cost	6,659,332	4,083,931

Notes

7. Financial income	2020 DKK	2019 DKK
Foreign exchange rate gains	2,518	0
Income related to changes in loan conditions	37,035	0
	39,553	**0**

8. Financial expenses	2020 DKK	2019 DKK
Changes in fair value of embedded derivatives	1,834,353	65,127
Interest on financial liabilities measured at amortised cost	736,346	103,213
Other financial expenses	38,525	12,912
	2,609,223	**181,252**

9. Tax on profit for the year	2020 DKK	2019 DKK
Current tax:		
Current tax on profits for the year	(1,438,074)	(860,476)
Deferred tax on profit for the year	(3,930)	1,904
	(1,442,004)	**(858,572)**

	2020 DKK	2019 DKK
Calculated 22.0% tax on loss for the year before income tax.	**(2,646,648)**	**(1,086,861)**
Tax effects of:		
Research and development tax credit	(1,438,074)	(860,476)
Permanent differences between tax and accounting purposes	(194,645)	(13,248)
Temporary differences between tax and accounting purposes	(3,930)	1,904
Tax losses carried forward, not capitalized	(1,009,999)	(215,041)
	(2,646,648)	**(1,086,861)**
Effective tax rate	12%	17%

Research and development tax credit relates to the tax value of certain research and development expenses incurred by Synklino ApS that are receivable according to the Danish tax legislation.

The tax loss carry-forward is not recognized as a deferred tax asset as the use of the tax loss carry-forward is highly uncertain.

Notes

10. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Total
	DKK	DKK
Cost:		
At 1 January 2019	11,839	11,839
At 31 December 2019	**11,839**	**11,839**
Accumulated depreciation		
At 1 January 2019	0	0
Depreciation for the year	4,604	4,604
At 31 December 2019	**4,604**	**4,604**
Carrying amount 31 December 2019	**16,443**	**16,443**

	DKK	DKK
Cost:		
At 1 January 2020	11,839	11,839
At 31 December 2020	**11,839**	**11,839**
Accumulated depreciation		
At 1 January 2020	4,604	0
Depreciation for the year	4,604	4,604
At 31 December 2020	**9,208**	**4,604**
Carrying amount 31 December 2020	**2,631**	**7,235**

Notes

11. Deferred tax	2020 DKK	2019 DKK
Deferred tax at 1 January	4,509	2,605
Deferred tax recognised in the statement of profit or loss	(3,930)	1,904
Adjustment prior year	0	0
Deferred tax at 31 December	**579**	**4,509**

Deferred tax relates to:	2020 DKK	2019 DKK
Property, plant and equipment	579	1,592
Prepayments	0	2,918
Tax losses	0	0
	579	**4,509**
Of which presented as deferred tax assets	0	0
Of which presented as deferred tax liabilities	579	4,509

At 31 December 2020, the Company had tax loss carry-forwards in Denmark of DKK 5,568,426 (2019: DKK 977.461) for income tax purposes, all of which can be carried forward indifinitely according to the Danish Corporate Income Tax Act. The tax loss carry-forward is not recognized as a deferred tax asset as the use of the tax loss carry-forward is highly uncertain.

12. Borrowings

	2020 DKK	2019 DKK
Borrowings 1 January	5,168,340	0
New debt	17,636,666	5,000,000
Interest recognized as financial expense	736,346	103,213
Effect of changes in loan conditions recognized as financial income	(37,035)	0
Converted to equity	(1,000,000)	0
Fair value adjustment of embedded derivative recognized as financial expense	1,834,353	65,127
Borrowings at 31 December	**24,338,670**	**5,168,340**

The embedded derivative included in borrowings amount to DKK 6,053,400 (2019: DKK 100,449)

Significant loan terms related to Loan 1

- Tranche I was issued in July 2019 and tranche II was issued in February 2020.
- Maturity 36 months after the issuance of tranche II.
- Interest coupon 5.0 % p.a. accruing over the term of the loan.
- Loan currency DKK.
- Lender conversion option if a capital increase in excess of 2 million EUR (qualified investment) takes place before maturity. The conversion will include the full loan amount, but the lender receives shares corresponding to 1/3 of the loan amount. The conversion price corresponds to the average share price for the investors participating in the qualified investment. The lender will at the same time be entiled to an exit

payment of two times (2x) the loan if the shareholders exit payments exceeds 50 million EUR and 2/3 of the loan if the shareholders exit payment does not exceed 50 million EUR.

- Lender conversion option if a qualified investment does not take place before maturity of the loan. The conversion will include the full loan amount, but the lender receives shares corresponding to 1/3 of the loan amount. The conversion price corresponds to the market price of the company to be determined by the company and the lender. The lender will at the same time be entitled to an exit payment of two times (2x) the loan if the shareholders exit payments exceeds 50 million EUR and 2/3 of the loan if the shareholders exit payment does not exceed 50 million EUR.

Significant loan terms related to Loans 2 and 3

- Issued in September 2020
- Maturity 36 months after the issuance.
- Interest coupon 8.0-10.0 % p.a. accruing over the term of the loans.
- Loan currency DKK.
- Lender conversion option if a capital increase in excess of 20 million DKK (qualified investment) takes place before maturity. The conversion price corresponds to the lower of the average share price for the investors participating in the qualified investment less 20 pct. (conversion price 1) or a value maximum of 56 million DKK divided by the fully diluted share capital before the qualified investment (conversion price 2).

- Lenders conversion option if an exit takes place before maturity. The conversion price will be conversion price 2. As an alternative to conversion if an exit takes place the lender has the right to repayment of 2 times the principal.
- Lender conversion option at maturity date. The conversion price corresponds to the minimum of conversion price 2 and the share price at the latest capital increase of at least 500,000 DKK.

Significant loan terms related to Loan 4

- Issued in December 2020.
- Maturity 1 January 2027 (with quarterly annuity payments starting from 1 January 2024).
- Interest coupon is 5% plus CIBOR p.a. accruing over the term of the loan.
- Loan currency DKK.
- Embedded bonus payment to lender of 6 million DKK if a Founder's or Investor's (the equity investor in connection with the loan agreement) shares in Synklino are sold for a proceeds per share, which is more than four times (4x) as high as the share price in connection with the Investor's original equity investment.

Further the Company in December 2019 borrowed DKK 1 million (Loan 5) which was converted to B shares in February 2021, see note 14 for conversion details.

Significant assumptions related to the valuation of the embedded derivatives

	2020	**2019**
Probability of a qualifying financing event taking place before 30 June 2021 (Loans 2+3)	60%	-
Probability of an exit taking place before 2027/2032 (Loans 1+4)	50%/50%	50%/50%
Share price (Loans 1+2+3+4)	1,293	750
Share price volatility pct. (Loans 1+2+3+4)	87.5%	87.5%

Sensitivity to changes in fair value of the embedded derivative

Increase in probability of a qualifying financing event taking place with 15% points (Loan 2+3)	(376,722)	-
Increase in probability of and exit taking place before 2032 with 15% points (Loan 1+4)	(46,509)	(5,286)
Increase in estimated share price of 10% (Loan 1+2+3+4)	828,387	9,159
Increase in estimated share price volatility with 5 % points (Loan 1+2+3+4)	103,681	(7,347)

Notes

13. Leases

The Company has leased office desks and laboratory benches for a fixed period of 6 months.

The statement of profit or loss shows the following amounts relating to leases:

	2020 DKK	2019 DKK
Expense relating to short-term leases (included in other operating expenses)	290,000	46,193

Total cash outflow for leases is identical with the expense above.

The future cash outflows relating to leases that have not yet commenced are disclosed in the note for commitments and contingent liabilities.

14. Share capital

The share capital comprises:	2020 Number of shares	2020 Nominal value (DKK)	2019 Number of shares	2019 Nominal value (DKK)
A shares	50,594	50,594	50,000	50,000
B shares	8,824	8,824	4,412	4,412
Share capital (fully paid)	**59,418**	**59,418**	**54,412**	**54,412**

All shares have nominal value of DKK 1.

The share capital includes preference shares (B shares). There are special rights attached to the preference shares. According to the company's articles of association B shares are protected against any dilution related to a capital increase at a price of less than DKK 226.65.

B shares have further right to receive payments from the company corresponding to the invested amount (including 5 pct. return) before any A shares receive payments from the company. After this amount has been paid to the B shares the A shares have right to receive payments from the company in the ratio 2:1 relative to the B shares until the A shares have received the same total amount as the B shareholders.

The B share capital has in 2020 been increased through a debt conversion of DKK 4,412 at price of DKK 226.65, corresponding to DKK 1 million. Further the A share capital has been increase through a capital increase of DKK 594 at a price of 192.65, corresponding to DKK 114,434.

Changes in share capital	31 December 2020 DKK	31 December 2019 DKK
Opening balance	54,412	54,412
Capital increase	5,006	0
Closing balance	59,418	54,412

Notes

15. Financial risk management

The Company is exposed to a variety of financial risks from its operations.

These risks are monitored through a financial forecast that gives management the forward visibility into cash flow expectations relative to obligations. The company primarily have currency exposures in EUR and borrowings with fixed interest rates. The Company has not entered into any derivative financial instruments to hedge its exposure from changes in financial risk or interest rate risk.

There has been no change in the Group's financial risk management policies compared to last year.

Interest rate risk
As the Company's borrowings has a fixed interest rate the interest exepnses is not affected by changes in the market interest rates. Instead the fair value of the borrowing is affected. For further details related to borrowings, see note 12.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates. As the company only has significant exposures in DKK and EUR management consider the risk of changes in foreign currency as insignificant.

Credit risk
Credit risk arises from cash and cash equivalents with banks, as well as credit exposures to customers, including outstanding receivables.

The company has no outstanding trade receivables 31 December 2020.

The most significant counterparty risk is related to deposit with banks. To mitigate this risk, it is the Company's policy only to use banks of high quality. To assess the credit risk of these banks, the company monitors their credit rating made by external credit rating agencies.

Liquidity risk
Management maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Management continuously monitors the company's liquidity reserve on the basis of expected cash flows. For further details on the Company's current liquidity position see note 16: Liquidity and capital management.

Market risks related to embedded derivatives are disclosed in note 12: Borrowings.

Notes

Maturity analysis.

The tables below illustrates the terms to maturity of financial assets and liabilities disclosed by category

The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments).

	Less than 1 year DKK	Between 1 and 3 year DKK	More than 3 years DKK	Total DKK
As at 31 December 2020				
Financial assets at amortised cost				
Cash and cash equivalents	12,730,951	-	-	12,730,951
Other receivables	303,500	-	-	303,500
Financial liabilities at amortised cost*				
Borrowings	17,243,990	7,551,265	-	24,795,255
Trade payables	1,401,501	-	-	1,401,501
Other payables	1,240,758	-	-	1,240,758
	32,920,700	**7,551,265**	-	**40,471,965**
As at 31 December 2019				
Financial assets at amortised cost*				
Cash and cash equivalents	1,935,771	-	-	1,935,771
Other receivables	176,208	-	-	176,208
	2,111,979	-	-	**2,111,979**
Financial liabilities at amortised cost				
Borrowings	1,533,617	-	3,177,430	4,711,047
Trade payables	594,400	-	-	594,400
Other payables	277,836	-	-	277,836
	2,405,853	-	**3,177,430**	**5,583,283**

*Borrowings include the potential payments related to embedded derivatives. Embedded derivatives related to conversion discounts (Loan's 2+3 cf. note 12) do not have a cash outflow and are therefore not included in the maturity profile.

Measurement and fair value hierarchy.

The fair value of borrowings approximates the carrying amount as there has been no significant changes in interest rates or credit spreads. Due to the short term nature of the Company's other financial instruments, the fair value approximates the carrying amount.

Notes

16. Liquidity and capital management

The Company is financed through a combination of equity and debt with embedded conversion discounts subject to certain events occurring and payments linked to equity investor exit depending on the return obtained by the equity investors.

The Company is forecasting that additional capital will be needed in 2021 to allow it to continue to develop its lead compound SYN002. The company is in active discussions with a number of existing and new venture capital investors to secure the extra funding however as of the date of these financial statements no lead investor has been identified. Although concluding a Series A share investment remains the priority, management are also investigating alternative funding routes including business development such as licensing as well as non-VC financing from high net worth individuals and family offices. In the short term, bridge financing is being sought to allow the company to continue these alternative funding routes. Management has also taken action to pause material R&D spending and reduce G&A costs to extend the runway while financing is investigated.

Although the Company has completed the financial statements for 2020 on a going concern basis, as management expects to succeed with the financing initatives, the above comments indicate that material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern

17. Commitments and contingent liabilities

Contingent liabilities

None

Commitments

The Company has one lease contract for rent of office desks and laboratory benches that has not yet commenced as of 31 December 2020. The future lease payments for the non-cancellable lease period are DKK 165,000.

18. Fee to auditors appointed at the general meeting

	2020 DKK	2019 DKK
Statutory audit	62,500	37,500
Other assurance services	0	10,000
Tax consultancy	0	31,000
Other services	96,000	81,300
	158,500	**159,800**

The fee for non-audit service performed by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab comprises accounting, tax advisory and other advisory services.

Notes

19. Related parties

The Company does not have any shareholders with a controlling interest.

Transactions with board and key management personnel
Information about the board and management's remuneration has been disclosed in note 5.

Further the Chairman of the Board has in 2020 made an capital increase of DKK 594 at a share price of DKK 192.65, corresponding to DKK 114,434 through his fully owned company JSH BioTech ApS.

The following transactions were carried through with related parties:

	2020 DKK	2019 DKK
Transactions with shareholders		
Salary (non board or key management)	869,727	696,531
Raising of shareholder loans	0	1,000,000
Conversion of loans to equity	1,000,000	0
	1,000,000	1,000,000

Please see share capital note for further details of the capital increase related to the conversion of debt. The ultimate owner of the shareholder is a member of the board.

20. Covid 19 and events after the balance sheet date

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases in Denmark and this has continued into 2021. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (social distancing and working from home where possible) and securing the supply of materials that are essential to our preclinical drug development process. At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We operate in the field of biotechnology and drug development and are not a commercial customer-facing business. There is a heightened public and investor awareness of the problems associated with infectious diseases and the pandemic has highlighted the devastating impact this has on people's lives. This therefore emphasizes the importance of ensuring that promising technologies, such as those being developed by the company, are funded. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people. All other things being equal, while there has been a general negative impact on capital markets, those in the life sciences sector have been impacted less. We are currently in discussions with potential new investors and management continues to consider that there are good opportunities for raising capital in this economic climate.

As a qualified financing event as defined in the convertible loan agreements has not taken place in 2021, as expected 31 december 2020, the fair value of the embedded derivatives of the loans in 2021 are expected to be higher cf. the sensitivity analysis in note 12 which will have a negative impact on profit/loss in 2021. Management considers this a non-adjusting subsequent event.

Besides the above no significant events have occurred between the reporting date and the publication of this annual report, which have not already been included and adequately disclosed in the annual report, and which materially affect the assessment of the Company's results of operations or financial position

Notes

21. Cash flow specifications

Changes to net working capital	2020 DKK	2019 DKK
Decrease/(increase) in trade receivables	0	100,000
Decrease/(increase) in other receivables	(127,292)	29,895
Decrease/(increase) in prepayments	32,823	(9,986)
(Decrease)/increase in trade payables	807,101	460,684
(Decrease)/increase in other liabilities	962,922	(25,884)
	1,675,554	**554,709**

Adjustments	2020 DKK	2019 DKK
Income tax	(1,442,004)	(858,572)
Depreciations of tangible assets and right-of-use assets	4,604	4,604
Changes in fair value of embedded derivatives	1,834,353	65,127
Interest on financial liabilities measured at amortised cost	736,346	103,213
Income related to changes in loan conditions	(37,035)	0
	1,096,264	**(685,628)**

Notes

22. First time adoption of IFRS

These financial statements for the year ended 31 December 2020, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with The Danish Financial Statements Act (Danish GAAP).

The Company has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2018 and 31 December 2019.

In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2019.

The disclosures required by IFRS 1 *First-time Adoption of IFRS* explaining the principal adjustments made by the Company in restating Danish GAAP financial statements are provided below:

Reconciliation	**As at 1 January 2019 (date of transition to IFRS)**			**For the year ended 31 December 2019**	**As at 31 December 2019**		
	DKK Assets	**DKK Liabilities**	**DKK Equity**	**DKK Profit for the year**	**DKK Assets**	**DKK Liabilities**	**DKK Equity**
According to the Danish Financial Statement Act	**1,522,545**	**466,573**	**1,055,972**	**(4,012,417)**	**3,019,354**	**5,975,799**	**(2,956,445)**
IFRS-adjustments:							
Borrowings	0	0	0	(69,286)	0	69,286	(69,286)
Total adjustments	**0**	**0**	**0**	**(69,286)**	**0**	**69,286**	**(69,286)**
According to IFRS	**1,522,545**	**466,573**	**1,055,972**	**(4,081,703)**	**3,019,354**	**6,045,085**	**(3,025,731)**

Notes to the reconciliation from Danish GAAP to IFRS

Borrowings
Under local GAAP borrowings were recognized at cost. Under IFRS non closely related embedded derivatives are separated from the host liability contract and measured at fair value through the income statement. The difference between the fair value of the financial liability and the initial fair value of the non closely related embedded derivatives is considered the initial carrying amount of the liability host contract. For further details on IFRS accounting policy, see note 1.

Exemptions applied
IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has not applied any exemptions.

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

John Sørensen Haurum
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