



## **ANNUAL REPORT**

For the Period 1 April 2020 to  
31 March 2021

Veloxis Pharmaceuticals A/S  
c/o Bech-Bruun  
Langelinie Allé 35  
DK-2100 Copenhagen  
CVR No.: 26 52 77 67

The Annual Report was presented and  
approved at the Annual General Meeting  
on 12 August 2021

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Chairman of the Meeting

Jacob Hjortshøj  
Advokat

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## Veloxis Business Strategy

Veloxis Pharmaceuticals is a biopharmaceutical company committed to improving the lives of transplant patients by identifying, developing, and commercializing products in transplantation. Utilizing our proprietary drug delivery technology (MeltDose®), Veloxis has developed and obtained U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA) approval for our product, Envarsus (tacrolimus extended-release tablets), to aid in the prophylaxis of organ rejection in transplant recipients. Our strategy is to continue to commercialize Envarsus in the US with a direct sales force and to license rights to Envarsus to proven commercial partners in other territories around the world. In addition to expanding use of Envarsus, Veloxis is actively seeking business development and licensing targets within the areas of transplantation and adjacent specialties.

In the US under the previous subsidiary, Veloxis Pharmaceuticals, Inc., our direct sales force is supplemented by field-based reimbursement, medical affairs personnel, and in-house marketing and operations personnel. Our commercial strategy is to reach the organ transplant market by promoting within transplant centers, which are typically located in the large hospital setting. A secondary focus is to reach transplant patients in need of Envarsus through promotion to large specialty practices which refer patients to transplant centers for organ transplantation. Direct sales efforts are complemented by specialty pharmaceutical marketing practices to ensure broad reach of brand awareness and core message delivery. In order to increase patient access to Envarsus, Veloxis has established specialty distribution and patient services to optimize the experience for patients and providers.

Envarsus® (tacrolimus extended-release tablet) is a novel formulation of tacrolimus designed using advanced technology which allows for increased bioavailability and a controlled, smooth delivery, resulting in:

- Once daily dosing
- A lower total daily dose requirement
- Lower peak concentrations and less fluctuation

In addition to the prophylaxis of organ rejection in kidney transplant patients converted from tacrolimus, Envarsus is now FDA-approved for use in de novo kidney transplant patients as of December 2018. That means more patients, including hard-to-treat patients such as rapid metabolizers, can benefit from once-daily controlled-release Envarsus.

## Financial Review

(in thousands USD)

### Restructuring in 2020/21

Veloxis Pharmaceuticals A/S was acquired by Asahi Kasei Pharma Denmark A/S ("AKPD") effective 23 January 2020. Following the acquisition, AKPD's ultimate Parent, Asahi Kasei Corporation ("AKC") set forth a restructuring plan for Veloxis Pharmaceuticals A/S and its previous subsidiary, Veloxis Pharmaceuticals, Inc. In conjunction with the restructuring process, Veloxis Pharmaceuticals A/S ("A/S", "Veloxis" or "the Company") transferred the intellectual property ("IP") relating to Envarsus to Veloxis Pharmaceuticals, Inc. ("Inc.") effective 1 January 2021.

Furthermore A/S's shares in Inc. were transferred to AKC effective 31 March 2021, consequently there were no subsidiaries at 31 March 2021 and no requirement for consolidated figures.

The plan is to liquidate the Company, which is currently expected to occur during calendar year 2022.

Due to the acquisition in January 2020, comparative figures consist of the period 1 January 2019 to 31 March 2020 (15 months), representing the transition period following the change of accounting year to 1 April - 31 March.

### Revenue

During 2020/21, Veloxis recognized revenue of USD 45,335 compared to USD 45,964 in 2019/20. The decrease was driven by the transfer of the IP from A/S to Inc. effective 1 January 2021 as well as the difference in length of the fiscal year.

### Selling, General and Administrative Costs

Selling, general and administrative costs decreased from USD 30,291 in 2019/20 to USD 1,327 in 2020/21. The decrease is mainly due to acquiree-related costs recognized in conjunction with the acquisition in the prior year.

On an overall basis, selling, general and administrative costs accounted for 100% of the total cost of operations in both 2020/21 and 2019/20.

### Research & Development Costs

Research and development costs in both 2020/21 and 2019/20 were zero.

### Other Operating Income

In conjunction with the restructuring process, Veloxis recognized a USD 908,000 gain on the IP transfer in January 2021 as well as a USD 304,467 gain on the transfer of its shares in Inc. to AKC in March 2021. These are reflected in Other Operating Income in the Income Statement.

### Operating Result

During 2020/21, Veloxis recognized USD 1,256,475 in operating income compared with USD 15,673 operating income in 2019/20. The increased operating income is primarily due to the gains recognized

during the restructuring process. Additionally, in 2019/20 the Company recognized acquiree-related transaction costs in conjunction with the acquisition by AKPD, which did not repeat in the current year.

The increase in operating result is in line with Management's expectation as reported on 21 August 2020 in connection with the prior year annual report.

#### **Financial Items**

Net financial items increased by USD 1,511, from a loss of USD 275 in 2019/20 to income of USD 1,236 in 2020/21.

#### **Tax for the Year**

Tax for the year was an expense of USD 200,250 compared to a benefit of USD 19,801 in 2019/20.

#### **Net Income**

During 2020/21, Veloxis recognized net income of USD 1,057,461 compared with net income of USD 35,199 in 2019/20.

#### **Cash Flow**

As of 31 March 2021, the balance sheet reflects cash and cash equivalents of USD 3,546 compared with USD 14,750 as of 31 March 2020, with the decrease primarily related to taxes paid.

#### **Balance Sheet**

As of 31 March 2021, total assets were USD 1,304,141 compared with USD 139,122 as of 31 March 2020. The increase is mainly due to a USD 1,300,000 intercompany note receivable from AKC received in consideration for A/S's shares in Inc. as of 31 March 2021.

Shareholders' equity equaled USD 1,303,915 as of 31 March 2021, compared with shareholders' equity of USD 137,696 as of 31 March 2020.

#### **Outlook**

Due to the sale of the IP from Veloxis Pharmaceuticals A/S to Veloxis Pharmaceuticals Inc. and the sale of the shares in Veloxis Pharmaceuticals Inc. to Asahi Kasei Corporation in 2020/21, the Company is without operating activity and is expected to be solvent liquidated in 2022.

# Financial Highlights

USD'000	12 Months 2020/21	15 Months 2019/20*	2018*	2017*	2016*
<b>Income Statement</b>					
Revenue	45,335	109,448	39,494	30,167	9,194
Production costs	-	(19,608)	(7,918)	(5,202)	(3,019)
Gross profit	45,335	89,832	31,576	24,965	6,175
Selling, general and administrative costs	(1,327)	(162,084)	(35,611)	(32,458)	(34,407)
Research and development costs	-	(1,761)	(1,801)	(866)	(636)
Other operating income	1,212,467	-	-	-	100
Operating result	1,256,475	(74,013)	(5,836)	(8,359)	(28,768)
Net financial income / (expenses)	1,236	(10,255)	(6,016)	(2,090)	(45)
Result before tax	1,257,711	(84,268)	(11,852)	(10,449)	(28,813)
Tax for the period	(200,250)	19,801	6,567	907	18,678
Net result for the period	1,057,461	(64,467)	(5,285)	(9,542)	(10,135)
<b>Statement of Financial Position</b>					
Cash and cash equivalents	3,546	52,257	30,520	7,766	3,359
Total assets	1,304,141	152,939	77,117	41,921	29,884
Total equity	1,303,915	(32,062)	4,614	5,316	10,195
Investment in property, plant and equipment	-	340	251	564	176
<b>Cash Flow Statement</b>					
Cash flow from operating activities	(120,781)	(93,299)	(11,265)	(7,710)	(28,057)
Cash flow from investing activities	-	(340)	(251)	(564)	(176)
Cash flow from financing activities	108,758	115,961	34,371	12,435	15,981
Cash and cash equivalents at period end	3,546	52,257	30,520	7,766	3,359
<b>Financial Ratios</b>					
Average number of employees (FTEs)	2	60	55	51	54
Assets/equity	1.00	(4.77)	16.71	7.89	2.93
Average exchange rates DKK/USD	6 3962	6 6910	6 3521	6 5301	6 6940
Period End exchange rate DKK/USD	6 3377	6 8203	6 5204	6 2019	7 0460

\* Represent consolidated figures inclusive of Veloxis Pharmaceuticals A/S and Veloxis Pharmaceuticals, Inc. as presented in the prior year Annual Report. The entities are now separate and no longer have a parent/subsidiary relationship as of 31 March 2021 as disclosed in Note 13.

## Risk Management

Veloxis is exposed to certain risks, some of which may significantly affect the Company's operations and ability to execute its commercial strategy. Close monitoring, systemic risk assessments and the ability to respond to a changing environment are essential for an effective risk management process at Veloxis.

The principal aim of Veloxis's risk management process is to strike the right balance between risk exposure and value creation. Our risk management processes are continually updated and adapted to match internal and external requirements. This gives our Executive Management an accurate and complete overview of the Company's activities and resources, and a clear basis for decision-making on Veloxis's overall risk exposure.

Veloxis assesses the likelihood of an event occurring and its potential impact on the Company in terms of financial loss or reputational damage. Risk identification, evaluation, qualification, recording and reporting are carried out by Executive Management and are continually reviewed throughout the year. The overall risk exposure is then evaluated in consultation with the Board of Directors.

Veloxis is exposed to critical risks within financial risk such as interest rate risk related to our cash and cash equivalent balances. In order to mitigate such risk, Veloxis's treasury policy allows the Company to hold excess cash at deposits with major Danish and US banks and in short-term Danish and US government bonds or Danish mortgage bonds with limited duration.

# Executive Management and Board of Directors' Statement on the Annual Report

The Executive Management and the Board of Directors have today considered and adopted the Annual Report of Veloxis Pharmaceuticals A/S for the financial year 1 April 2020 to 31 March 2021.

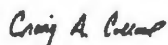
The Annual Report is prepared in accordance with International Financial Reporting standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position as of 31 March 2021 of the Company and of the results of the Company operations and cash flows for the period from 1 April 2020 to 31 March 2021.

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

Copenhagen, 2 August 2021

## Executive Management



Craig A. Collard

President & CEO



Ira Duarte

CFO

## Board of Directors



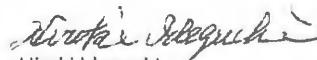
Hideo Hikami

Chairman



Daisuke Matsuo

Member



Hiroki Ideguchi

Member

# Independent Auditor's Report

## To the shareholders of Veloxis Pharmaceuticals A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2021 and of the results of the Company's operations and cash flows for the financial year 1 April 2020 to 31 March 2021 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 of Veloxis Pharmaceuticals A/S for the financial year 1 April 2020 to 31 March 2021, which comprise the 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 Group 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.

### 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, in our view, 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 in Management's Review.

### Management's responsibilities for the Financial Statements

Management is responsible for the preparation of the 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 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 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 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.

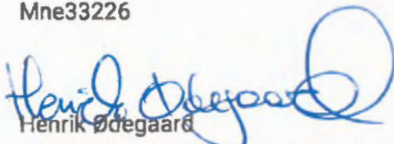
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 2 August 2021

**PricewaterhouseCoopers**  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31



Søren Ørjan Jensen  
State Authorised Public Accountant  
Mne33226



Henrik Ødegaard  
State Authorised Public Accountant  
Mne31489

# Financial Statements

## Income Statement

(USD'000)	Note	12 Months 2020/21	15 Months 2019/20
Revenue	3	45,335	45,964
<b>Gross profit</b>		<b>45,335</b>	<b>45,964</b>
Selling, general and administrative costs	4, 5	(1,327)	(30,291)
Other operating income		1,212,467	-
<b>Operating result</b>		<b>1,256,475</b>	<b>15,673</b>
Intercompany interest	1, 6	17	-
Financial income	6	2,604	(30)
Financial expenses	7	(1,385)	(245)
<b>Result before tax</b>		<b>1,257,711</b>	<b>15,398</b>
Tax for the period	8	(200,250)	19,801
<b>Net income</b>		<b>1,057,461</b>	<b>35,199</b>

The Board of Directors proposes that the net result for the year to be carried forward to next year

## Statement of Comprehensive Income

(USD'000)	12 Months 2020/21	15 Months 2019/20
Net income for the period	1,057,461	35,199
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>1,057,461</b>	<b>35,199</b>

## Balance Sheet

### Assets

(USD'000)	Note	31 Mar. 2021	31 Mar. 2020
Patent rights and software	9	9	17
<b>Intangible assets</b>		<b>9</b>	<b>17</b>
Property, plant and equipment	9	13	62
<b>Tangible fixed assets</b>		<b>13</b>	<b>62</b>
Equity interest in subsidiary	10	-	73,412
Deferred tax asset	8	-	50,205
<b>Financial assets</b>		<b>-</b>	<b>123,617</b>
<b>Non-current assets</b>		<b>22</b>	<b>123,696</b>
Tax receivables		64	-
Other receivables		310	308
Prepayments		182	368
Intercompany receivables	16	1,300,017	-
<b>Receivables</b>		<b>1,300,573</b>	<b>676</b>
Cash		3,546	14,750
<b>Cash and cash equivalents</b>		<b>3,546</b>	<b>14,750</b>
<b>Current assets</b>		<b>1,304,119</b>	<b>15,426</b>
<b>Assets</b>		<b>1,304,141</b>	<b>139,122</b>

**Balance Sheet**  
**Equity and Liabilities**

(USD'000)	Note	31 Mar. 2021	31 Mar. 2020
Share capital	11	26,422	26,257
Share premium		329,672	221,079
Translation reserves		-	(4,297)
Retained earnings/loss		947,821	(105,343)
<b>Equity</b>		<b>1,303,915</b>	<b>137,696</b>
Trade payables		-	3
Intercompany payables		168	-
Tax payable		-	1,199
Other payables		58	224
<b>Current liabilities</b>		<b>226</b>	<b>1,426</b>
<b>Liabilities</b>		<b>226</b>	<b>1,426</b>
<b>Equity and liabilities</b>		<b>1,304,141</b>	<b>139,122</b>
Summary of significant accounting policies	1		
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Fees to auditors	15		

## Cash Flow Statement

(USD'000)	Note	12 Months 2020/21	15 Months 2019/20
<b>Operating result</b>		<b>1,256,475</b>	<b>15,673</b>
Share-based payment	5	-	598
Depreciation and amortization	4	57	74
Changes in working capital	14	(1,226,240)	(19,099)
<b>Cash flow from operating activities before interest</b>		<b>30,292</b>	<b>(2,754)</b>
Interest paid		-	-
Corporate tax paid		(151,073)	(2,604)
<b>Cash flow from operating activities</b>		<b>(120,781)</b>	<b>(5,358)</b>
<b>Cash flow from investing activities</b>			
Proceeds from issuance of shares		-	19,043
Cash contribution		108,758	-
<b>Cash flow from financing activities</b>		<b>108,758</b>	<b>19,043</b>
<b>Increase/(decrease) in cash</b>		<b>(12,023)</b>	<b>13,685</b>
Cash at beginning of period		14,750	1,650
Exchange gains/(losses) on cash		819	(585)
<b>Cash at end of period</b>		<b>3,546</b>	<b>14,750</b>

Veloxis Pharmaceuticals A/S contributed USD 922,121 as a non-cash contribution through investment in sub to its previous subsidiary Veloxis Pharmaceuticals, Inc in 2020/21 (USD 26,803 in 2019/20).

## Statement of Changes in Equity

USD	Number of Shares	Share Capital USD'000	Share Premium DKK'000	Translation Reserves USD'000	Retained Earnings USD'000	Total USD'000
<b>Equity as of 1 Jan. 2019</b>	<b>1,718,195,348</b>	<b>24,399</b>	<b>203,894</b>	<b>(4,297)</b>	<b>(149,290)</b>	<b>74,706</b>
Net result for the period					35,199	35,199
Total comprehensive income					35,199	35,199
Warrant exercises	125,046,242	1,858	17,185			19,043
Share-based payment					8,748	8,748
Other transactions	125,046,242	1,858	17,185		8,748	27,791
<b>Equity as of 31 Mar. 2020</b>	<b>1,843,241,590</b>	<b>26,257</b>	<b>221,079</b>	<b>(4,297)</b>	<b>(105,343)</b>	<b>137,696</b>
Net result for the period					1,057,461	1,057,461
Total comprehensive income					1,057,461	1,057,461
Cash contribution	10,100,000	165	108,593			108,758
Transfers to/from retained earnings				4,297	(4,297)	
Other transactions	10,100,000	165	108,593	4,297	(4,297)	108,758
<b>Equity as of 31 Mar. 2021</b>	<b>1,853,341,590</b>	<b>26,422</b>	<b>329,672</b>	<b>-</b>	<b>947,821</b>	<b>1,303,915</b>

# Notes

## NOTE 1 Summary of Significant Accounting Policies

### General

The Annual Report of Veloxis Pharmaceuticals A/S for the 12 months ended 31 March 2021, comprising the financial statements of the Company (Financial Statements) has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act as required for medium-sized reporting class C entities

The financial statements are presented on a historical cost basis. Otherwise, the accounting policies are as described in the following.

Comparative figures consist of the period 1 January 2019 to 31 March 2020 (15 months), representing the transition period following the acquisition and change of accounting year to 1 April – 31 March in 2020/21

### Accounting Policy Changes

#### *Adoption of new or amended IFRS's*

No new, amended or revised accounting standards and interpretations issued by the International Accounting Standards Board (IASB) and IFRS endorsed by the European Union have a material effect on the Financial Statements for 2020/21.

#### *Share Premium Presentation*

Management has decided to present share premiums separately in equity and equity statements based on capital increases and related costs since establishment of the company. Share premiums amounts to USD 203,894 as of 1 January 2019 which have been reclassified from retained earnings. The changed presentation has not changed the total equity of the company and no special conditions or rights related to share premium.

### New Financial Standards Adopted

The IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. New or amended and revised standards are implemented when taking effect. None of the changed standards or interpretations are expected to have any significant monetary effect on the statements of the Company's results, assets and liabilities or equity.

### Foreign Currency

The financial statements are presented in USD, which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as financial income/expenses. Settlement gains and losses are recognized only for monetary items, not for non-monetary items such as prepayments.

### **Lease Commitments**

The Company has no lease commitments that are required to be accounted for under IFRS 16 *Leases*

### **Comprehensive Income**

Veloxis presents comprehensive income in two statements: an income statement and a statement of total comprehensive income which includes results for the year and income recognized in other comprehensive income.

### **Income Statement**

#### **Revenues**

Revenues are comprised solely of royalties. Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. Performance obligations are satisfied at one point in time. Sales are measured at the fair value of consideration received or receivable

#### **Selling, General and Administrative Costs**

Selling, general and administrative expenses comprise expenses incurred for the management and administration of the Company and include salaries and other expenses relating to various functions within the Company.

In addition, amortization/depreciation and other direct costs are included in this line item

#### **Share-Based Payment**

Prior to the acquisition by AKPD, Veloxis had established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares were recognized as an expense and allocated over the vesting period. The amount was determined as the fair value of the equity instruments granted. The total amount recognized over the vesting period corresponded to the fair value of the warrants or shares that actually vested. The fair value was determined at the grant date and was not adjusted subsequently. Accelerated vesting and related recognition of expense occurred in line with the terms outlined in the warrant agreements or as promulgated under IFRS 2 *Share-based payment*.

Veloxis estimated a forfeiture rate for all warrants granted and therefore did not recognize any impact of any cancellations or forfeitures in the income statement once they happened. Forfeiture rates were reassessed annually and adjusted as necessary.

#### **Financial Items**

Financial income and expenses include interest, dividends, gains and losses related to transactions denominated in foreign currencies and amortization of financial obligations.

Interest income and expenses are accrued based on the outstanding principal and the nominal interest rate.

Dividends from equity interests in subsidiaries are recognized in the income statement in financial income, when final right to the dividend has been acquired.

## **Corporate Tax**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the income for the year and recognized directly in equity by the portion attributable to transactions recognized directly in equity. Current tax payable or receivable is recognized in the balance sheet as tax calculated on the taxable income for the year adjusted for prepaid tax.

## **Balance Sheet**

### **Non-Current Assets**

#### *Intangible Assets*

Intangible assets comprise acquired patent rights.

Patent rights are measured at cost less accumulated amortization and impairment losses. The amortization period is determined based on the expected economic and technical useful life, and amortization is recognized on a straight-line basis over the expected useful life of 20 years.

#### *Tangible Fixed Assets*

Tangible fixed assets comprise process plant and machinery, other fixtures and fittings, hardware and computers, tools and equipment. Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Company and the costs of the items can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial periods in which they are incurred.

Depreciation of tangible fixed assets is calculated using the straight-line method to allocate the cost to the residual value of the assets over the expected useful life as follows:

Process plant and machinery:	7 years
Other fixtures and fittings, tools and equipment:	3-5 years
Hardware and computers:	1-3 years

Depreciation, impairment losses and gains or losses on disposal of tangible fixed assets is recognized in the income statement as part of selling, general and administrative costs.

Depreciation period and residual value are reassessed annually.

#### *Impairment of Long-Lived Assets*

The carrying amount of long-lived assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are such indications, an impairment test is performed. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's net selling price and its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. For the purposes of assessing impairment, assets

are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units). For corporate assets the assessment is carried out at an entity level. Impairment losses are recognized in the income statement under the same line items as the related depreciation or amortization.

#### *Equity Interests in Subsidiaries*

Equity interests in subsidiaries are recognized and measured at cost and reflect amounts attributable to the Company pertaining to warrants and other intercompany assets.

#### *Deferred Tax Assets*

Deferred tax is recognized and measured under the liability method on all temporary differences between the carrying amount and tax value of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax is calculated in accordance with the tax regulations and tax rates that are expected to be in effect, considering the laws in force at the balance sheet date, when the deferred tax is estimated to be realized as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax value of tax losses carried forward, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities, if such set-off is permitted for tax purposes, or as net tax assets. Deferred tax assets which are not recognized in the balance sheet are disclosed in a note to the financial statements.

#### **Current Assets**

##### *Other Receivables*

Other receivables are measured at fair value on initial recognition and subsequently measured at amortized cost according to the effective interest method less provision for impairment. Impairment losses are based on an individual evaluation of each amount collectible.

##### *Prepayments*

Prepayments comprise incurred costs related to a future financial period. Prepayments are measured at nominal value.

##### *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash and deposits with financial institutions. Cash and cash equivalents are measured at amortized cost.

##### *Shareholders' Equity*

The share capital comprises the nominal amount of the Company's ordinary shares, each at a nominal value of DKK 0.1. All shares are fully paid.

#### **Current Liabilities**

##### *Trade Payables*

Trade payables are measured at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

#### *Other Payables*

Other payables are measured in the balance sheet at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

#### *Intercompany Payables*

Intercompany payables are measured in the balance sheet at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

#### Cash Flow Statement

The cash flow statement is presented using the indirect method with basis in operating result and shows cash flow from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of each financial year

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items such as depreciation, amortization and impairment losses, working capital changes and financial income and expenses received or paid.

Cash flows from investing activities comprise cash flows from the purchase and sale of intangible assets and property, plant and equipment

Cash flows from financing activities comprise cash flows from raising and repayment of loans and intercompany contributions.

Cash and cash equivalents comprise cash on hand and deposits with financial institutions.

The cash flow statement cannot be derived solely from the financial statements.

#### Financial Ratios

Financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Assets/Equity Ratio =  $\frac{\text{Total Assets}}{\text{Equity}}$

Equity

## NOTE 2 Significant Accounting Estimates and Judgments

In preparing financial statements under IFRS, certain provisions in the standards require Management's judgments. Such judgments are considered important to understand the accounting policies and Veloxis's compliance with the standards. No areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements

## NOTE 3 Revenue

The Company's revenue consists solely of royalty revenue related to sales by the previous subsidiary (Inc.), which was paid to A/S at arm's length until the transfer of the Envarsus intellectual property from A/S to Inc. effective 1 January 2021.

## NOTE 4 Depreciation and Amortization

<u>(USD'000)</u>	<u>12 months 2020/21</u>	<u>15 months 2019/20</u>
Patent rights	8	9
Property, plant and equipment	49	65
<b>Total</b>	<b>57</b>	<b>74</b>
Allocated by function:		
Selling, general and administrative expenses	57	74
Research and development costs	-	-
<b>Total</b>	<b>57</b>	<b>74</b>

## NOTE 5 Staff Costs

(USD'000)	12 months 2020/21	15 months 2019/20
Wages and salaries	986	500
Share-based payment	-	598
<b>Total</b>	<b>986</b>	<b>1,098</b>
Allocated by function:		
Selling, general and administrative	986	1,098
Research and development costs	-	-
<b>Total</b>	<b>986</b>	<b>1,098</b>
Average number of employees (FTEs)	2	2
<b>Remuneration of board of directors, and executive management:</b>		
<b>Board of directors</b>		
Board fees		500
Share-based payment		598
		<b>1,098</b>
<b>Executive management</b>		
Gross salary	986	1,147
Bonus*	668	46,652
Pension contributions	32	45
Share-based payment		1,022
	<b>1,686</b>	<b>48,866</b>
<b>Total</b>	<b>1,686</b>	<b>49,964</b>

\*Bonus includes special one-time bonus related to change of control event in 2019/20

Members of Executive Management are entitled to severance payments totaling 6-12 months of annual salary if they are terminated without cause in the ordinary course of business. In the event that such termination takes place following a change of control, members of executive management are entitled to two times their ordinary severance payments totaling 12-24 months of annual salary.

Veloxis's pension schemes are defined contribution schemes and Veloxis has no additional payment obligations.

Veloxis has implemented a Company-wide Remuneration Policy with a bonus element including both a cash element and a Long-Term Incentive-based element. Hence, a certain percentage of each employee's remuneration is dependent on the employee and the Company's specified goals and objectives agreed upon at the beginning of each year.

## NOTE 6 Financial Income

<u>(USD'000)</u>	<u>12 months</u> <u>2020/21</u>	<u>15 months</u> <u>2019/20</u>
Intercompany interest - Note receivable	17	-
Exchange rate, net	2,604	(30)
<b>Total</b>	<b>2,621</b>	<b>(30)</b>

## NOTE 7 Financial Expenses

<u>(USD'000)</u>	<u>12 months</u> <u>2020/21</u>	<u>15 months</u> <u>2019/20</u>
Interest expense	81	-
Exchange rate, net	1,304	245
<b>Total</b>	<b>1,385</b>	<b>245</b>

## NOTE 8 Tax and Deferred Tax

(USD'000)	12 months 2020/21	15 months 2019/20
Actual Corporate tax	(150,045)	(3,203)
Change in deferred tax	(50,205)	23,004
<b>Tax for the year</b>	<b>(200,250)</b>	<b>19,801</b>
<b>Tax for the year can be explained as follows:</b>		
Income / (loss) for the year before tax	1,257,711	15,398
<b>Tax rate</b>	<b>22.0%</b>	<b>22.0%</b>
Computed tax on income / (loss) for the year	(276,696)	(3,388)
Reversal of writedown in previous years	-	28,944
Writedown of deferred tax assets	(273)	-
Exchange rate adjustment	7,715	-
Permanent differences	69,004	(5,755)
<b>Tax for the year</b>	<b>(200,250)</b>	<b>25,556</b>
Calculated deferred tax asset, beginning	50,205	59,336
Exchange rate adjustment	-	(2,477)
Change in deferred tax assets	(49,932)	(6,654)
<b>Calculated deferred tax asset, ending</b>	<b>273</b>	<b>50,205</b>
Write down to assessed value	(273)	-
<b>Carrying amount</b>	<b>-</b>	<b>50,205</b>

## NOTE 9 Intangible and Tangible Fixed Assets

(USD'000)	Patent rights and software		Property, Plant & Equipment	
	2020/21	2019/20	2020/21	2019/20
Cost at 1 April 2020 / 1 January 2019	182	182	5,794	5,794
Disposals	(40)	-	-	-
Additions	-	-	-	-
<b>Cost at 31 March 2021 / 31 March 2020</b>	<b>142</b>	<b>182</b>	<b>5,794</b>	<b>5,794</b>
Amortization / Depreciation / Impairment loss at 1 April 2020 / 1 January 2019	(165)	(156)	(5,732)	(5,667)
Disposals	40	-	-	-
Amortization / Depreciation	(8)	(9)	(49)	(65)
<b>Amortization / Depreciation / Impairment loss at 31 March 2021 / 31 March 2020</b>	<b>(133)</b>	<b>(165)</b>	<b>(5,781)</b>	<b>(5,732)</b>
<b>Net book value at 31 March 2021 / 31 March 2020</b>	<b>9</b>	<b>17</b>	<b>13</b>	<b>62</b>

## NOTE 10 Investment in Subsidiary

(USD'000)	31 Mar. 2021	31 Mar. 2020
Cost at 1 April 2020 / 1 January 2019	73,412	46,609
Addition	922,121	26,803
Disposal	(995,533)	-
<b>Cost at 31 March</b>	<b>-</b>	<b>73,412</b>

The previous subsidiary, Veloxis Pharmaceuticals, Inc., was established as a wholly owned subsidiary as of 2 January 2007 and is incorporated in Delaware. All the shares in Inc. were sold to AKC as of 31 March 2021.

## NOTE 11 Share Capital

On 31 March 2021 the total number of outstanding shares was 1,853,341,590. Each share has a nominal value of DKK 0.1 and one vote. The shares do not have any restrictions as to their transferability. The Board of Directors is authorized until 03 April 2024 to issue an additional 171,819,535 shares. Any new shares issued shall carry the same rights and other characteristics as the Company's existing shares.

### Changes in Share Capital from 2016 to 2020/21

The table below sets forth the changes in our issued share capital since 2016:

Year	Transaction	Share Capital	Share classes after capital increase	
2016	Cash contribution	39,590,306	1,703,373,881	shares
2017	Cash contribution	9,064,650	1,712,438,531	shares
2018	Cash contribution	5,756,817	1,718,195,348	shares
2019/20	Cash contribution	125,046,242	1,843,241,590	shares
2020/21	Cash contribution	10,100,000	1,853,341,590	shares

## NOTE 12 Financial Risks

### Interest Rate Risk

Our interest rate risk primarily relates to our cash and cash equivalent balances. In order to mitigate such risk, Veloxis's Treasury Policy allows the Company to hold excess cash at deposits with major Danish and US banks and in short-term Danish and US government bonds or Danish mortgage bonds with limited duration.

### Cash Management

The Company's Finance function ensures that Veloxis has sufficient and flexible financial resources at its disposal. Veloxis's short-term liquidity is managed with quarterly budget reviews to balance the demand for liquidity needs.

### Capital Structure

It is the Company's aim to have an adequate capital structure in relation to the underlying operating results, so that it is always possible to provide sufficient capital to support operations and its long-term growth targets. The Board of Directors determined that the current capital and share structure is appropriate for the shareholders and the Company.

### Credit Risk

The credit terms on the Company's receivables are considered to be at market conditions, and the Company has not encountered any losses as a result of credit risk during the years presented. In regard to cash deposits, the Company's two major banks have credit ratings of A1 and Aa1 according to

Moody's The credit risk attributable to the Company's receivables is considered low as such receivables arise from collaboration agreements with wholesale distributors.

#### Liquidity Risk

The Company is exposed to liquidity risk arising from short-term payables.

#### Currency Exposure

Veloxis is subject to currency risk, as the Company incurs income and expenses in a number of different currencies, mainly DKK and EUR. Changes in exchange rates of such foreign currencies towards the Company's functional currency may affect the results and cash position.

The Company's cash balances in foreign currencies are stated below:

	<u>31 Mar. 2021</u>	<u>31 Mar. 2020</u>
EUR'000	44	7
DKK'000	7,749	14,495

All net positions are current.

The carrying amount approximately equals the fair value. Changes in currencies may affect future income and expenses in such foreign currencies and may have an impact on the Company's operating results and cash flows. The Company is primarily exposed to such risk from currency fluctuations between USD and EUR. Based on the EURO position as of 31 March 2021, a 10% change in the USD/EUR rate will impact result and equity with approximately USD 49.

## NOTE 13 Related Parties

#### Members of the Executive Management and Board of Directors

The members of the Executive Management and Board of Directors are considered related parties following their positions in the Company.

Executive Management has received remuneration from Veloxis as described in Note 5 to the financial statements

#### Veloxis Pharmaceuticals, Inc.

Prior to A/S's transfer of its Inc. shares to AKC effective 31 March 2021, Veloxis Pharmaceuticals, Inc., was a wholly owned subsidiary of Veloxis Pharmaceuticals A/S.

During 2019/20, the previous subsidiary performed managerial activities on behalf of A/S, which was remunerated in accordance with the service agreements between the companies. Total services amounted to USD zero in 2020/21 and USD 1,250 in 2019/20.

Royalty was paid from the subsidiary to the Parent at arm's length prior to the transfer of the intellectual property from A/S to Inc. effective 1 January 2021.

## NOTE 14 Changes in Working Capital

<u>(USD'000)</u>	<u>12 months 2020/21</u>	<u>15 months 2019/20</u>
Other receivables	(81)	(254)
Note receivable	(1,300,000)	-
Equity investment	73,412	(18,652)
Prepayments	186	(234)
Trade payables	(3)	(40)
Other payables	(1,054)	326
Exchange gains/(losses)	1,300	(245)
<b>Total</b>	<b>(1,226,240)</b>	<b>(19,099)</b>

## NOTE 15 Fees to Auditors

<u>(USD'000)</u>	<u>12 months 2020/21</u>	<u>15 months 2019/20</u>
<b>PricewaterhouseCoopers</b>		
Audit	42	142
Tax Services	21	53
Other services	11	91
<b>Total</b>	<b>74</b>	<b>286</b>

## NOTE 16 Intercompany Receivables

The Company transferred its shares in Inc. to AKC as of 31 March 2021. The valuation of the Inc. shares transferred was determined to be USD 1,300,000. AKC issued a note to A/S for the value of the shares, which is expected to be partially settled through the proposed dividend as noted in the Statement of Changes in Equity. The note carries an interest rate of 0.48% per annum, to be accrued as interest receivable on AS's balance sheet on a quarterly basis.

#### Asahi Kasei Pharma Denmark A/S

As discussed above, Veloxis Pharmaceuticals A/S was acquired by Asahi Kasei Pharma Denmark A/S, a subsidiary of Asahi Kasei Corporation ("AKC"). On 31 March 2021, Veloxis Pharmaceuticals A/S transferred its shares in Veloxis Pharmaceuticals, Inc. to AKC for a transfer price of USD 1,300,000 in an arm's length transaction.

#### Other Related Parties

Other related parties may exist as the members of Veloxis's Board of Directors and Executive Management hold positions as Board members in other companies, and as the shareholders of Veloxis may also be shareholders of other companies. Except for the companies listed above, Veloxis has not identified any such parties as related parties and no transactions have been identified as related party transactions as we are not aware of such relationships.

#### Restructuring Transactions

On 25 November 2019, Asahi Kasei Pharma Denmark A/S, a Danish limited liability company, announced its decision to make a recommended conditional voluntary public takeover offer for all shares and warrants in Veloxis Pharmaceuticals A/S ("AS"). Asahi Kasei Pharma Denmark A/S is directly and wholly owned and controlled by AKC, a Japanese company, incorporated under the laws of Japan and whose shares are listed on the Tokyo Stock Exchange. The acquisition was completed and deemed effective as of 23 January 2020.

Following the acquisition, AKC outlined a restructuring plan with an eventual goal of liquidating the Danish entities (both Asahi Kasei Pharma Denmark A/S and Veloxis Pharmaceuticals A/S). The following restructuring activities impacted the financial statements for AS for the period from 1 April 2020 through 31 March 2021:

Veloxis Pharmaceuticals A/S ("AS") transferred the intellectual property ("IP") relating to Envarsus valued at USD 908,000 to Veloxis Pharmaceuticals, Inc. ("Inc.") effective 1 January 2021. 0.

To fund the initial tax payment, A/S utilized existing cash held at A/S totaling USD 43,000 as well as received an additional capital contribution from AKC of USD 108,758.

Furthermore, the Company transferred its shares in Inc. to AKC as of 31 March 2021. The valuation of the Inc. shares transferred was determined to be USD 1,300,000. AKC issued a note to A/S for the value of the shares, which is expected to be partially settled through the proposed dividend as noted in the Statement of Changes in Equity. The note carries an interest rate of 0.48% per annum, to be accrued as interest receivable on AS's balance sheet on a quarterly basis.

The entities are now separate and no longer have a parent/subsidiary relationship as of 31 March 2021.