



**THE J. MOLNER
COMPANY**
The Chemistry People

**INTERIM REPORT
FOR THE 12 MONTHS OF 2022
(UNAUDITED)**

reporting period: 01.01.2022 – 31.12.2022

financial year: 01.01.2022 – 31.12.2022

business name: The J. Molner Company OÜ

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Management report

The J. Molner Company OÜ was founded in 2020 in Tallinn. The length of the interim financial report was 12 months, from January 1, 2022 to December 31, 2022. The main activity of the company is research and development in the field of biotechnology.

The activities of the Company are divided in to two main fields:

- Chemistry analytical and development services for third-parties;
- Development of the Company's own line of generic pharmaceuticals

In 2022, the Company continued to execute on both of its key activities. In analytical and development services, the Company served a number of customers from the United States, Canada, and Europe. To support the continued evolution of this business, the Company implemented a new quality management software solution. Subsequently, the Company was inspected by the Estonia Medicines Board in [January, 2023] which was successfully completed.

The Company also continued actively developing its own line of generic pharmaceutical products. This included the in-house development of one drug for the USA, and one drug for the Canadian market. In [July, 2022], the Company acquired the US market authorizations for three approved drugs. As a result, the Company dedicated significant time and laboratory capacity to the relaunch of these products which requires undertaking a transfer to a new manufacturing site and a regulatory acceptance process. This work is ongoing with the first regulatory submission for approval of site change anticipated in the third quarter of 2023. 786,176 euros were spent on research and development in 2022.

The Company also in-licensed the rights to two pharmaceutical products for the Canadian market in 2022 and executed the first submission for approval by Health Canada. The Company anticipates filing the second submission in the first quarter of 2023 and the approval of the first Canadian drug during the year 2023.

In the second half of 2022, the Company focused most of its internal resources on the development of its own products and the relaunch of the acquired US products. This limited our capacity for providing external services in the last quarter of the year. In particular, one third-party services project anticipated for 2022 was shifted into the first quarter of 2023. To increase capacity further, the company recruited 8 employees who, after training, will add to the ability of the Company to execute its plans. As a result of this change in focus and capacity constraint, the Company's revenue for the full year was EUR 191,657.

- The company's activities do not have significant environmental and social impacts.
- The company's business is not seasonal.
- Interest rates did not change significantly during the financial year and during the period of preparation of the annual report.

Financial Ratios	2022
Current Ratio	0,6
EBITDA, €	- 596 974
Turnover per employee	10 087

Current Ratio	= Current assets/Current liabilities
EBITDA, €	= Operating profit + Depreciation and impairment loss
Turnover per employee, €	= Revenue/Average number of employees

Financial Statements

Statement of financial position

(In Euros)

	31.12.2022	30.06.2022	31.12.2021	Note
Assets				
Current assets				
Cash and cash equivalents	77 927	310 847	242 806	2
Receivables and prepayments	173 588	138 084	63 855	3
Inventories	9 388	11 292	11 293	4
Total current assets	260 903	460 223	317 954	
Non-current assets				
Investments in subsidiaries and associates	262	262	262	5
Receivables and prepayments	98 066	0	0	
Property, plant and equipment	138 815	94 899	100 607	6
Intangible assets	790 556	251 264	6 974	7
Total non-current assets	1 027 699	346 425	107 843	
Total assets	1 288 602	806 648	425 797	
Liabilities and equity				
Liabilities				
Current liabilities				
Loan liabilities	274 178	272 235	251 077	8
Payables and prepayments	187 597	221 437	141 869	9
Total current liabilities	461 775	493 672	392 946	
Non-current liabilities				
Loan liabilities	1 022 178	136 145	358 104	8
Total non-current liabilities	1 022 178	136 145	358 104	
Total liabilities	1 483 953	629 817	751 050	
Equity				
Issued capital	2 500	2 500	2 500	
Other reserves	750 000	750 000	0	
Retained earnings (loss)	-327 753	-327 753	0	
Annual period profit (loss)	-620 098	-247 916	-327 753	
Total equity	-195 351	176 831	-325 253	
Total liabilities and equity	1 288 602	806 648	425 797	

Income statement
(In Euros)

	2022	01.07.2022 - 31.12.2022	01.01.2022 - 30.06.2022	2021	Note
Revenue	191 657	30 010	161 647	505 260	
Other income	6 570	4 407	2 163	17 511	
Work performed by entity and capitalised	226 756	112 421	114 335	0	
Raw materials and consumables used	-164 850	-96 768	-68 082	-135 248	
Other operating expense	-265 712	-140 987	-124 725	-137 717	
Employee expense	-555 585	-297 526	-258 059	-539 282	11
Depreciation and impairment loss (reversal)	-12 649	-6 684	-5 965	-13 804	
Other expense	-10 512	-8 110	-2 402	-3 866	
Operating profit (loss)	-584 325	-403 237	-181 088	-307 146	
Interest expenses	-72 340	-50 910	-21 430	-16 369	
Other financial income and expense	36 567	81 965	-45 398	-4 238	
Profit (loss) before tax	-620 098	-372 182	-247 916	-327 753	
Annual period profit (loss)	-620 098	-372 182	-247 916	-327 753	

Notes

Note 1 Accounting policies

General information

The interim accounts of J.Molner Company OÜ for the financial year 2022 have been prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is established by the Accounting Act of the Republic of Estonia, which is supplemented by the guidelines issued by the Accounting Standards Board.

This is an abbreviated report of a small business.

The interim accounts have been prepared in Euros. The comparative data is reflected over a longer period, which is 15 months.

The principal accounting policies adopted are set out below.

Financial assets

The company has the following financial assets: cash, accounts receivables and other receivables. Financial assets are initially recognised at cost, this being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset. All regular purchases and sales of financial assets in market value are recognised on the transaction date. Following initial recognition, financial assets are measured based on their type either at fair value, at acquisition cost or at amortised cost.

Financial assets are derecognised, when the company loses the right to receive cash flows from the financial asset or it transfers the financial asset, the cash flows from the financial assets and the majority of risks and rewards to other parties.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and in the cash flow statement include cash in bank accounts (except overdraft).

Foreign currency transactions and assets and liabilities denominated in a foreign currency

The company's functional currency is Euro, all other currencies are deemed foreign currencies. Transactions denominated in foreign currencies are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially valid on the transaction date. Monetary assets and liabilities (receivables paid in cash and loans) denominated in foreign currency are translated at balance sheet date into Euros based on the official foreign exchange rates of the European Central Bank. Gains and losses on foreign currency revaluations are recognised in the income statement in the corresponding accounting period. Non-monetary assets and liabilities denominated in foreign currencies, which are not carried at fair value (eg. prepayments, property, plant and equipment and intangible assets), are not revalued at balance sheet date, but instead are recorded with the exchange rate of the European Central Bank that was valid on the transaction date.

Shares of subsidiaries and associates

Shares or parts of subsidiaries and affiliates are recorded at acquisition cost. The acquisition cost is considered to be paid upon acquisition the amount of money or the fair value of the other consideration to be transferred and expenses directly related to the acquisition.

The subsidiary company has not been consolidated, because the consolidated figures, excluding transactions between themselves, are not greater than those of a small indicators of the balance sheet volume and net turnover of the consolidation group, to which 20% is added.

Receivables and prepayments

Accounts receivables are receivables arising from ordinary business transactions of the company. Accounts receivables are recorded using the amortised cost method (i.e. nominal value less impairment loss).

Collectability of the accounts receivables is considered separately by each customer. Accounts receivables, which partly or fully are not expected to be collected, are expensed and reported in the income statement as "Other operating expense". Receivables, collection of which is not feasible nor economically justified, are considered to be non-collectible and written-off from the balance sheet. Receipt of doubtful receivables previously written down are recognised as a decrease in the expense of doubtful receivables.

Inventories

Inventories are initially recognised at cost which comprises costs of purchase, production costs and other costs incurred in bringing the inventories to their present location and condition.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of cost or net realisable value. Net realisable value is the estimated selling price of a annual report product in the ordinary course of business less the estimated costs of completion and those necessary to make the sale.

Plant, property and equipment and intangible assets

Property, plant and equipment are assets used in the company's own business activities with a useful life exceeding one year and the cost of at least 1 350 Euros.

A property, plant and equipment is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its operating condition and location. A property, plant and equipment is carried in the balance sheet at acquisition cost, less accumulated depreciation and any accumulated impairment losses.

If the major components of an item of property, plant and equipment have significantly different useful lives, these components shall be recognised initially as separate items of property, plant and equipment and separate depreciation rates shall be assigned to them depending on their useful lives.

An intangible asset is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition.

An intangible asset is carried in the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses.

Pharmaceutical products in development are recorded as unfinished projects. Once products in development are approved for sale, the amounts will be allocated to product rights and will be amortised. Unfinished projects include also product acquisition costs representing product rights obtained from third parties possessing regulatory approvals in respective markets, however, the production of which has not yet started. Product acquisition costs are reclassified as intangible assets in use and will be amortised once products are commercialised.

Minimal acquisition cost 1350

Useful life by assets group (years)

Assets group name	Useful life
Machinery and equipment	5-20
Other property, plant and equipment	2-5
Concessions, patents, licences, trademarks	10

Company performs an impairment test at each balance sheet date on those assets where there is any indication of potential impairment.

An impairment test is performed to determine the recoverable amount of an asset, which is the higher of the two indicators — fair value of an asset (less costs to sell) and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from the disposal at the end of its useful life.

When an impairment test is not feasible for an individual asset because the cash flows being generated by the asset are indistinguishable from the cash flows of the rest of the entity, an impairment test shall be performed for the cash-generating unit to which the asset belongs.

Assets are written down to their recoverable amount if the recoverable amount of the asset is lower than its carrying amount. The impairment loss is recognised on an accrual basis as an expense in the income statement under "Depreciation and impairment loss".

Products in development are subject to the annual impairment testing. These valuations reflect, among other things, the impact of changes to the development programs, the projected development and regulatory time frames and the current competitive environment.

Recording of property, plant and equipment and intangible assets is finished in case of disposal of the asset or in case the economic benefits are no longer expected from use or sale of the asset.

The straight-line method is used for depreciating property, plant and equipment. The depreciation rates are assigned to each item of property, plant and equipment or major component separately, based on the useful life of the specific item.

The straight-line method is used for amortising intangible assets. The amortisation rates are assigned to each item of intangible asset, based on the useful life of the specific item.

Leases

Lease transactions, where all material risks and rewards from the ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating leases.

Operating lease payments are recorded as expenses based on straight-line method over the entire lease period.

Financial liabilities

Financial liabilities (trade payables, received loans, accrued expenses) are initially measured at cost, which is the fair value of consideration received. Initial cost of financial liabilities include all direct transaction costs. Subsequently the financial liabilities are recorded at amortised cost.

The amortised cost of short-term liabilities, as general, is equal to their nominal value. Therefore they are recognised in the amount required to settle the liability. For calculating the amortised cost of long-term financial liabilities the effective interest rate method is used.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

A financial liability is classified as long-term in the balance sheet if it is due more than 12 months after the balance sheet date. All other liabilities are classified as short-term.

Revenue recognition

Revenue from the sale of goods is recognised when all significant risks related to ownership of goods are transferred to the buyer, the sales revenue and transaction costs can be reliably measured and the receipt of payment from the transaction is probable. Revenue from services is recognised in the period the services are rendered, assuming that the receipt of payment from the transaction is probable and the sales revenue and the expenses related to providing the services can be reliably measured.

Taxation

According to the Income Tax Act, Estonian companies are not subject to pay income tax on the profit. Income tax is paid on distribution of dividends, fringe benefits, gifts, donations, receptions costs, expenses not related to business activities and transfer pricing adjustments. The tax rate is 20/80 of the taxable amount.

Since income tax is paid on dividends rather than profit, there are no temporary differences between the tax bases and carrying values of assets and liabilities that may give rise to deferred income tax assets and liabilities.

The maximum income tax liability which would be created upon the payment of all retained earnings as dividends is provided in the notes to the annual accounts.

Related parties

The following are considered as related parties in the preparation of the annual accounts for The J. Molner Company OÜ:

- owner ;
- other group companies;
- members of management board;
- companies under control or significant influence of aforementioned individuals or their close relatives.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2022	30.06.2022	31.12.2021
Cash and cash equivalents	77 927	310 847	242 806
Total cash and cash equivalents	77 927	310 847	242 806

Note 3 Receivables and prepayments

(In Euros)

	31.12.2022	Within 12 months	1 - 5 years	Note
Accounts receivable	91 611	91 611	0	
Accounts receivables	91 611	91 611	0	
Tax prepayments and receivables	16 855	16 855	0	
Prepayments	22 821	22 821	0	
Other paid prepayments	22 821	22 821	0	
Receivables from subsidiary	140 368	42 302	98 066	12
Total receivables and prepayments	271 654	173 588	98 066	

	30.06.2022	Within 12 months	1 - 5 years	Note
Accounts receivable	38 135	38 135	0	
Accounts receivables	38 135	38 135	0	
Tax prepayments and receivables	4 868	4 868	0	
Prepayments	34 247	34 247	0	
Other paid prepayments	34 247	34 247	0	
Receivables from subsidiary	60 834	60 834	0	12
Total receivables and prepayments	138 084	138 084	0	

	31.12.2021	Within 12 months	1 - 5 years	Note
Accounts receivable	15 003	15 003	0	
Accounts receivables	15 003	15 003	0	
Tax prepayments and receivables	9 137	9 137	0	
Prepayments	12 462	12 462	0	
Deferred expenses	12 462	12 462	0	
Receivables from subsidiary	27 253	27 253	0	12
Total receivables and prepayments	63 855	63 855	0	

Note 4 Inventories

(In Euros)

	31.12.2022	30.06.2022	31.12.2021
Raw materials	9 388	11 292	11 293
Raw materials	9 388	11 292	11 293
Total Inventories	9 388	11 292	11 293

Note 5 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				31.12.2021	30.06.2022
BC1282945	The J. Molner Company Inc	Canada	Sale of medical products	100	100

Note 6 Property, plant and equipment

(In Euros)

		Total
	Other machinery and equipment	
31.12.2021		
Carried at cost	114 153	114 153
Accumulated depreciation	-13 546	-13 546
Residual cost	100 607	100 607
Depreciation	-5 708	-5 708
30.06.2022		
Carried at cost	114 153	114 153
Accumulated depreciation	-19 254	-19 254
Residual cost	94 899	94 899
Acquisitions and additions	50 342	50 342
Other acquisitions and additions	50 342	50 342
Depreciation	-6 426	-6 426
31.12.2022		
Carried at cost	164 495	164 495
Accumulated depreciation	-25 680	-25 680
Residual cost	138 815	138 815

Note 7 Intangible assets

(In Euros)

			Total
	Computer software	Unfinished projects and prepayments	
31.12.2021			
Carried at cost	5 153	2 079	7 232
Accumulated depreciation	-258	0	-258
Residual cost	4 895	2 079	6 974
Acquisitions and additions	0	244 548	244 548
Depreciation	-258	0	-258
30.06.2022			
Carried at cost	5 153	246 627	251 780
Accumulated depreciation	-516	0	-516
Residual cost	4 637	246 627	251 264
Acquisitions and additions	0	539 549	539 549
Depreciation	-257	0	-257
31.12.2022			
Carried at cost	5 153	786 176	791 329
Accumulated depreciation	-773	0	-773
Residual cost	4 380	786 176	790 556

Note 8 Loan commitments

(In Euros)

	31.12.2022	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Current loans								
Short-term shareholder loan, EUR	93 447	93 447			5%	EUR	31.12.2022	12
Short-term shareholder loan, USD	180 731	180 731			5%	USD	31.12.2022	12
Current loans total	274 178	274 178						
Non-current loans								
Long-term loan	1 022 178		1 022 178		5%	USD	20.09.2026	
Non-current loan total	1 022 178		1 022 178					
Loan commitments total	1 296 356	274 178	1 022 178					

	30.06.2022	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Current loans								
Short-term shareholder loan, EUR	91 182	91 182			5%	EUR	31.12.2022	12
Short-term shareholder loan, USD	181 053	181 053			5%	USD	31.12.2022	12
Current loans total	272 235	272 235						
Non-current loans								
Long-term loan	136 145		136 145		5%	USD	20.09.2026	
Non-current bonds total	136 145		136 145					
Loan commitments total	408 380	272 235	136 145					

	31.12.2021	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Current loans								
Short-term shareholder loan, EUR	89 003	89 003			5%	EUR	30.03.2021	12
Short-term shareholder loan, USD	162 074	162 074			5%	USD	30.03.2021	12
Current loans total	251 077	251 077						
Non-current loans								
Long-term loan	358 104		358 104		5%	USD	20.09.2026	12
Non-current loans total	358 104		358 104					
Loan commitments total	609 181	251 077	358 104					

Note 9 Payables and prepayments

(In Euros)

	31.12.2022	Within 12 months	Note
Trade payables	72 328	72 328	
Employee payables	46 270	46 270	10
Tax payables	48 815	48 815	
Other payables	17 981	17 981	
Other accrued expenses	17 981	17 981	12
Prepayments received	2 203	2 203	
Other received prepayments	2 203	2 203	
Total payables and prepayments	187 597	187 597	

	30.06.2022	Within 12 months	Note
Trade payables	107 775	107 775	
Employee payables	46 148	46 148	10
Tax payables	37 710	37 710	
Other payables	27 729	27 729	
Other accrued expenses	27 729	27 729	12
Prepayments received	2 075	2 075	
Other received prepayments	2 075	2 075	
Total payables and prepayments	221 437	221 437	

	31.12.2021	Within 12 months	Note
Trade payables	30 777	30 777	
Employee payables	36 313	36 313	10
Tax payables	33 823	33 823	
Other payables	38 881	38 881	
Other accrued expenses	38 881	38 881	12
Prepayments received	2 075	2 075	
Other received prepayments	2 075	2 075	
Total payables and prepayments	141 869	141 869	

Note 10 Employee payables

(In Euros)

	31.12.2022	30.06.2022	31.12.2021	Note
Remuneration liability	33 265	25 843	23 947	9
Vacation pay liability	13 005	20 305	12 366	9
Total employee payables	46 270	46 148	36 313	

Note 11 Labor expense

(In Euros)

	2022	01.07.2022 - 31.12.2022	01.01.2022 - 30.06.2022	2021
Wage and salary expense	416 287	223 012	193 275	402 713
Social security taxes	139 298	74 514	64 784	136 569
Total labor expense	555 585	297 526	258 059	539 282
Average number of employees in full time equivalent units	19	19	16	13
Average number of employees by types of employment:				
Person employed under employment contract	19	19	16	13

Note 12 Related parties

(In Euros)

Name of the reporting entity's parent company	J.Molner AS
The country where the reporting entity's parent company is registered	Estonia

Related party balances according to groups

SHORT TERM	31.12.2022	30.06.2022	31.12.2021	Note
Receivables and prepayments				
Parent company	88 989	0	0	3
Subsidiaries	0	60 833	27 253	3
Associates	42 302	0	0	3
Total receivables and prepayments	131 291	60 833	27 253	
Loan commitments				
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	274 178	272 235	251 077	8
Total loan commitments	274 178	272 235	251 077	
Payables and prepayments				
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	2 509	25 030	30 196	
Total payables and prepayments	2 509	25 030	30 196	

LONG TERM	31.12.2022	30.06.2023	31.12.2021	Note
Receivables and prepayments				
Subsidiaries	98 066	0	0	3
Total receivables and prepayments	98 066	0	0	

LOAN COMMITMENTS	31.12.2021	Loans received	Loans received repayments	30.06.2022	Interest accrued for period	Note
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	251 077	0	0	272 235	6 689	8
Total loan commitments	251 077	0	0	272 235	6 689	
LOAN COMMITMENTS	30.06.2022	Loans received	Loans received repayments	31.12.2022	Interest accrued for period	Note
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	272 235	0	0	274 178	6 902	8
Total loan commitments	272 235	0	0	274 178	6 902	

SOLD	2022	01.07.2022 - 31.12.2022	01.01.2022 - 30.06.2022	2021
	Services	Services	Services	Services
Parent	88 989	88 989	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	0	0	244 479
Total sold	88 989	88 989	0	244 479

BOUGHT	2022	01.07.2022 – 31.12.2022	01.01.2022 - 30.06.2022	2021
	Services	Services	Services	Services
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	44 775	0	44 775	0
Total bought	44 775	0	44 775	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body				
	2022	01.07.2022 - 31.12.2022	01.01.2022 - 30.06.2022	2021
Remuneration	33 255	29 323	3 932	6 627

Note 13 Continuity of operations

As of 31.12.2022, the Company's net assets are negative in the amount of 195 351 euros and do not meet the requirements of the Commercial Code. The company's short-term liabilities exceed the total amount of current assets by 200 870 euros. These circumstances may cast significant doubt on the company's ability to continue as a going concern, as a result of which the company may not be able to realize its assets and meet its liabilities in the course of normal business operations. According to the management, the company continues to operate despite the presence of significant doubt.

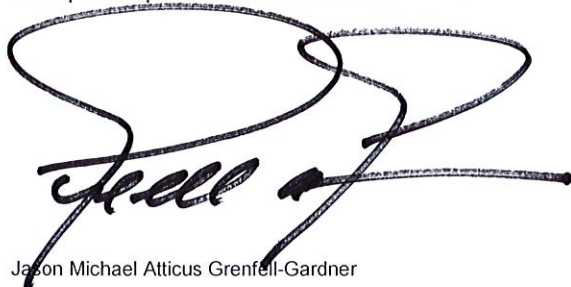
It is planned to bring the company's net assets into compliance with the requirements of the Commercial Code in the following periods with the following action plan:

- Increasing the turnover of the company.

Signatures

The board has prepared the unaudited interim report of The J. Molner Company OÜ for the 12 months of the 2022 financial year and confirms the correctness of the data in the report.

The report completion date is: 09.03.2023.

A handwritten signature in black ink, appearing to read 'Jason', with a large, stylized flourish above it.

Jason Michael Atticus Grenfell-Gardner

Member of the Board