Galecto Biotech ApS

Ole Maaløes Vej 3, 2200 Copenhagen N

CVR no. 34 87 83 66

Annual report for the period 1 January to 31 December 2022

Adopted at the annual general meeting on 16 March 2023

Steen Rode
chairman

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
Management´s review	
Company details	5
Management's review	6
Financial statements	
Income statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes	11
Accounting policies	14

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Statement by management on the annual report

The supervisory board and executive board have today discussed and approved the annual report of Galecto Biotech ApS for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 16 March 2023

Executive board

Hans Schambye

Supervisory board

Hans Schambye	Jon Freve	Anders Hjelholt Pedersen
Bertil Erik Lindmark		

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Independent auditor's report

To the shareholders of Galecto Biotech ApS

Opinion

We have audited the financial statements of Galecto Biotech ApS for the financial year 1 January – 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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.

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Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

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

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

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

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Independent auditor's report

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.

Statement on management's review

Management is responsible for management's review.

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

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

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

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

Copenhagen, 16 March 2023

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian S. Johansen
State Authorised Public Accountant
MNE no. mne33234

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Company details

The company	Galecto Biotech ApS Ole Maaløes Vej 3 2200 Copenhagen N	
	CVR no.:	34 87 83 66
	Reporting period: Incorporated:	1 January - 31 December 2022 3 December 2012
	Domicile:	Copenhagen
Primary acitivity	The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.	
Supervisory board	Hans Schambye Jon Freve Anders Hjelholt Pedersen Bertil Erik Lindmark	
Executive board	Hans Schambye	
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg	

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Management's review

Principal activities

The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.

Development in activities and financial matters

The company's income statement for the year ended 31 December 2022 shows a profit of EUR 818.741, and the balance sheet at 31 December 2022 shows equity of EUR 7.394.015.

Significant events occurring after the end of the financial year

No events have occured after the balance sheet date to this date, which would influence the evaluation of this annual report.

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Income statement 1 January - 31 December

	Note	2022	2021
		EUR	EUR
Gross profit		**12.287.141**	**9.406.910**
Staff costs	1	-11.235.421	-8.579.033
Depreciation, amortisation and impairment of property, plant and equipment		-33.102	-18.146
Profit/loss before net financials		**1.018.618**	**809.731**
Financial income		193.077	360.033
Financial expenses	2	-302.800	-204.968
Profit/loss before tax		**908.895**	**964.796**
Tax on profit/loss for the year	3	-90.154	-200.003
Profit/loss for the year		**818.741**	**764.793**

Recommended distribution of profit/loss

Retained earnings	818.741	764.793
	818.741	**764.793**

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Balance sheet 31 December

	Note	2022	2021
		EUR	EUR
Assets			
Other fixtures and fittings, tools and equipment		254.992	178.285
Tangible assets	4	**254.992**	**178.285**
Deposits		62.913	35.464
Fixed asset investments		**62.913**	**35.464**
Total non-current assets		**317.905**	**213.749**
Receivables from group enterprises		5.442.283	0
Other receivables		375.199	251.867
Prepayments		334.757	462.445
Receivables		**6.152.239**	**714.312**
Cash at bank and in hand		**3.428.834**	**5.499.093**
Total current assets		**9.581.073**	**6.213.405**
Total assets		**9.898.978**	**6.427.154**

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Balance sheet 31 December

	Note	2022	2021
		EUR	EUR
Equity and liabilities			
Share capital		10.704	10.704
Retained earnings		7.383.311	3.658.165
Equity		**7.394.015**	**3.668.869**
Provision for deferred tax		13.641	0
Total provisions		**13.641**	**0**
Payable to group enterprises		1.167.666	1.483.098
Other payables		67.466	66.136
Total non-current liabilities	5	**1.235.132**	**1.549.234**
Trade payables		750.220	781.529
Corporation tax		94.611	55.935
Other payables		411.359	371.587
Total current liabilities		**1.256.190**	**1.209.051**
Total liabilities		**2.491.322**	**2.758.285**
Total equity and liabilities		**9.898.978**	**6.427.154**
Contractual obligations and contingencies, etc.	6		
Related parties and ownership structure	7		

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Statement of changes in equity

	Share capital	Retained earnings	Total
	EUR	EUR	EUR
Equity at 1 January 2022	10.704	3.658.165	3.668.869
Net profit/loss for the year	0	818.741	818.741
Contribution from group	0	2.906.405	2.906.405
Equity at 31 December 2022	**10.704**	**7.383.311**	**7.394.015**

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Notes

		2022	2021
		EUR	EUR
1	**Staff costs**		
	Wages and salaries	10.715.690	8.218.492
	Pensions	145.384	85.386
	Other social security costs	374.347	275.155
		11.235.421	**8.579.033**
	Average number of employees	36	29

Wages and salaries include shared based compensation of EUR 3.943.052 (2021: EUR 2.806.151) that is issued by Galecto, Inc. We refer to the accounting policies.

2	**Financial expenses**		
	Financial expenses, group enterprises	98.382	147.275
	Exchange loss	169.110	30.105
	Other financial expenses	35.308	27.588
		302.800	**204.968**

3	**Tax on profit/loss for the year**		
	Current tax for the year	54.622	55.935
	Deferred tax adjustment for the year	13.641	0
	Joint taxation contribution	21.891	144.068
		90.154	**200.003**

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Notes

4 Tangible assets

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January 2022	196.431
Additions for the year	109.809
Cost at 31 December 2022	306.240
Depreciation at 1 January 2022	18.146
Depreciation for the year	33.102
Depreciation at 31 December 2022	51.248
Carrying amount at 31 December 2022	**254.992**

5 Non-current liabilities

	Debt at 1 January 2022	Debt at 31 December 2022	Instalment next year	Debt outstanding after 5 years
	EUR	EUR	EUR	EUR
Payable to group enterprises	1.483.098	1.167.666	0	0
Other payables	66.136	67.466	0	67.466
	1.549.234	**1.235.132**	**0**	**67.466**

Other payables (non-current) consist of frozen holiday funds related to Danish employees.

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Notes

6 Contractual obligations and contingencies, etc.

Contingent liabilities

The company is jointly taxed with its parent company, Galecto Biotech AB (administrative company for the joint taxation), and jointly and severally liable with other jointly taxed entities for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

Operating lease commitments

	2022	2021
	EUR	EUR
Liabilities under rental or lease agreeements until maturity in total	808.351	793.656
	808.351	**793.656**

Rent and lease liabilities consists of rent obligation with contract terms within 5 years.

7 Related parties and ownership structure

Galecto Biotech AB
Ole Maaløes Vej 3
2200 Copenhagen N

Galecto Biotech AB owns a 100% interest in Galecto Biotech ApS.

Galecto Biotech ApS is included in the Consolidated Financial Statement of Galecto, Inc.
The Consolidated Financial Statements can be obtained on the following addresses:

Galecto, Inc., Ole Maaløes Vej 3, 2200 København N.

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Accounting policies

The annual report of Galecto Biotech ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

Presentation currency

The financial statements are presented in EUR.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Penneo dokumentnøgle: EEO35-ULEBJ-TV7N8-XH6U7-K1MVO-4V7SE

Accounting policies

Income statement

Gross profit/loss

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and other operating income less directs costs and other external expenses.

Revenue

The company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue comprising income from research and development services provided by Galecto Biotech ApS to related parties, is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties.

Direct expenses

Direct expenses include the direct attributable costs used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to the company's primary activities incurred in the year, including expenses to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external expenses also includes research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities. Staff costs also include shared based compensation that is issued by Galecto, Inc. In the balance sheet, shared based compensation is recognised under group receivables or payables with Galecto, Inc.

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Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised gains and losses on payables and transactions denominated in foreign currencies.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year.

The company is jointly taxed with Galecto Biotech AB. In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

Balance sheet

Tangible assets

Items of other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5-7 years

The company capitalizes costs related to purchase of equipment above EUR 22,000 per individual piece of equipment.

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Accounting policies

Impairment of non-current assets

The carrying amount of Other fixtures and fittings, tools and equipment is tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation made.

Write-down is made to the lower of the recoverable amount and carrying amount. The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost. The company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doutful debts is made when there is objective evidence that a receivable or a portfolie of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Income tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised under group receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

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Accounting policies

Liabilities

The company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Liabilities are measured at amortised cost, which is usually equivalent to nominal value.

Frozen holiday funds presented as non-current other payables is measured at net realisable value, including indexation. Indexation is recognised in the income statement as interest expenses.

Leases

The company has chosen IAS 17 as interpretation for classification and recognition of leases.

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other leases are disclosed under contingencies.

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

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

Bertil Erik Lindmark
Board member
On behalf of: Galecto Biotech ApS
Serial number: 19550528xxxx
IP: 178.197.xxx.xxx
2023-03-16 08:25:23 UTC
BankID

Hans Thalsgård Schambye
Chief Executive Officer
On behalf of: Galecto Biotech ApS
Serial number: 2005ef5b-981b-43ec-ab6f-b695e8572c0e
IP: 5.57.xxx.xxx
2023-03-16 08:32:50 UTC
Mit ID

Hans Thalsgård Schambye
Chairman of the board
On behalf of: Galecto Biotech ApS
Serial number: 2005ef5b-981b-43ec-ab6f-b695e8572c0e
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Jonathan Freve
Board Member
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IP: 65.210.xxx.xxx
2023-03-16 10:21:26 UTC

Anders Hjelholt Pedersen
Board Member
On behalf of: Galecto Biotech ApS
Serial number: 80c41e57-4c3b-4f3f-86a2-361e93572b49
IP: 5.57.xxx.xxx
2023-03-16 11:03:42 UTC
Mit ID

Christian Schwenn Albrecht Johansen
Auditor
On behalf of: Ernst & Young
Serial number: 317d7b7e-1790-450b-979e-bd922d6978de
IP: 80.197.xxx.xxx
2023-03-16 13:20:36 UTC
Mit ID

Steen Rode
Chairman of the AGM
On behalf of: Galecto Biotech ApS
Serial number: PID:9208-2002-2-884297258619
IP: 188.120.xxx.xxx
2023-03-16 15:58:51 UTC
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