



## MC2 Therapeutics A/S

Agern Alle 24-26  
2970 Hørsholm  
CVR No. 29526346

## Annual report 2022

The Annual General Meeting adopted the  
annual report on 14.07.2023

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**Claus Berner Nielsen**  
Chairman of the General Meeting

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# Entity details

## Entity

MC2 Therapeutics A/S

Agern Alle 24-26

2970 Hørsholm

Business Registration No.: 29526346

Date of foundation: 04.05.2006

Registered office: Rudersdal

Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Mads Jørgen Nøhr Clausen

Anders Dahlgaard Hove

Tomas Dahl Mikkelsen

## Executive Board

Jesper Jørn Lange

Casper Møller

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of MC2 Therapeutics A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 14.07.2023

## Executive Board

**Jesper Jørn Lange**

**Casper Møller**

## Board of Directors

**Mads Jørgen Nøhr Clausen**

**Anders Dahlgaard Hove**

**Tomas Dahl Mikkelsen**

# Independent auditor's report

## To the shareholders of MC2 Therapeutics A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of MC2 Therapeutics A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the management commentary**

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 the management commentary.

København, 14.07.2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Jens Sejer Pedersen**

State Authorised Public Accountant  
Identification No (MNE) mne14986

# Management commentary

## Financial highlights

	2022 DKK'000	2021 DKK'000
<b>Key figures</b>		
Gross profit/loss	(74,372)	(4,727)
Operating profit/loss	(105,280)	(36,894)
Net financials	(6,324)	(2,878)
Profit/loss for the year	(101,415)	(25,223)
Balance sheet total	83,664	67,962
Investments in property, plant and equipment	505	0
Equity	(122,733)	(21,098)
Equity excl. minority interests	(122,650)	(21,098)
Cash flows from operating activities	(149,587)	11,102
Cash flows from investing activities	(505)	(7,358)
Cash flows from financing activities	137,185	13,074
<b>Ratios</b>		
Equity ratio (%)	(146.60)	(31.04)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Equity ratio (%):

$\frac{\text{Equity excl. minority interests}}{\text{Balance sheet total}} * 100$



### Primary activities

The Company is a commercial stage pharmaceutical company committed to developing novel treatment paradigms within auto-immune and chronic inflammatory skin conditions. The Company is the parent company of the MC2 Therapeutics Group ("Group"), which also comprises its UK subsidiary MC2 Therapeutics Ltd., engaged in R&D and commercial activities.

MC2 Therapeutics is using its deep understanding of skin biology and years of research into the pathophysiology of poorly understood diseases to develop first or best-in-class therapies and treatment paradigms. When developing topicals MC2 Therapeutics uses its PAD™ Technology formulation know-how to release full potential of active ingredients.

### Development in activities and finances

During the year the Group has achieved significant milestones including:

1. Continued the global roll-out of Wyzora® Cream for the treatment of plaque psoriasis in adults.
2. Supported the launch of Wyzora® Cream in EU by Almirall S.A. from January 2022
3. Started phase 2 clinical trial on MC2-25 in chronic kidney disease associated pruritus (stages 3-5)
4. Finalized preparations of phase 2 POC clinical trial on MC2-25 in vulva lichen sclerosis

### Profit/loss for the year in relation to expected developments

The result shows a loss of DKK 101.4M (USD 14.5M) and shall be seen in context with material sales and marketing efforts for Wyzora® in the US and development costs defrayed in the group being recognized as expenses on a current basis.

The result includes a capital gain equal to approximately DKK 24M coming from the amended Collaboration Agreement which the Group negotiated when EPI Health Inc. was acquired by Novan, Inc. in March 2022.

Almirall S.A., Spain has successfully launched Wyzora® in several countries in Europe which has triggered royalty payments to MC2 Therapeutics. The Company is continuing a global roll-out of Wyzora® and is expecting significant revenues from these commercial activities in the coming years.

The management regards the result as satisfactory.

### Outlook

At year-end the parent company's equity is negative at DKK 122.6M (USD 17.5M). The company has secured a loan facility of DKK 120M and considers this – together with expectations of continued growth of revenue - as sufficient to finance the Group's activities through 2024.

### Events after the balance sheet date

On May 31, 2023, the Company's commercial partner in the USA, Novan, Inc., announced a restructuring of its commercial business including dismissing its entire field sales force. MC2 Therapeutics will continue to ensure sales and marketing of Wyzora® in the USA and are working on a new US business set-up.

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

# Consolidated income statement for 2022

	Notes	2022 DKK	2021 DKK
<b>Gross profit/loss</b>		<b>(74,371,727)</b>	<b>(4,727,288)</b>
Staff costs	1	(29,368,252)	(31,462,745)
Depreciation, amortisation and impairment losses	2	(1,540,156)	(703,505)
<b>Operating profit/loss</b>		<b>(105,280,135)</b>	<b>(36,893,538)</b>
Other financial income		1,972,220	224,299
Other financial expenses	3	(8,295,986)	(3,102,650)
<b>Profit/loss before tax</b>		<b>(111,603,901)</b>	<b>(39,771,889)</b>
Tax on profit/loss for the year	4	10,189,166	14,548,931
<b>Profit/loss for the year</b>	5	<b>(101,414,735)</b>	<b>(25,222,958)</b>

# Consolidated balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		0	0
<b>Intangible assets</b>	6	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		2,232,092	2,774,480
Leasehold improvements		4,819,935	5,702,427
<b>Property, plant and equipment</b>	7	<b>7,052,027</b>	<b>8,476,907</b>
Deposits		271,579	271,579
<b>Financial assets</b>	8	<b>271,579</b>	<b>271,579</b>
<b>Fixed assets</b>		<b>7,323,606</b>	<b>8,748,486</b>
Manufactured goods and goods for resale		11,029,315	5,354,663
Prepayments for goods		4,481,842	0
<b>Inventories</b>		<b>15,511,157</b>	<b>5,354,663</b>
Trade receivables		14,471,790	5,238,220
Other receivables		4,919,531	9,595,020
Tax receivable		19,133,144	19,534,896
Prepayments	9	13,676,362	899,129
<b>Receivables</b>		<b>52,200,827</b>	<b>35,267,265</b>
<b>Cash</b>		<b>8,628,491</b>	<b>18,591,298</b>
<b>Current assets</b>		<b>76,340,475</b>	<b>59,213,226</b>
<b>Assets</b>		<b>83,664,081</b>	<b>67,961,712</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital	10	6,611,484	6,611,484
Retained earnings		(129,261,435)	(27,709,093)
<b>Equity belonging to Parent's shareholders</b>		<b>(122,649,951)</b>	<b>(21,097,609)</b>
<b>Equity belonging to minority interests</b>		<b>(83,476)</b>	<b>0</b>
<b>Equity</b>		<b>(122,733,427)</b>	<b>(21,097,609)</b>
Prepayments received from customers		3,856,870	0
Trade payables		17,430,504	0
Payables to owners and management		156,317,287	19,131,813
Other payables		837,612	914,030
<b>Non-current liabilities other than provisions</b>	11	<b>178,442,273</b>	<b>20,045,843</b>
Prepayments received from customers		503,070	0
Trade payables		26,422,491	42,393,741
Other payables		1,029,674	26,619,737
<b>Current liabilities other than provisions</b>		<b>27,955,235</b>	<b>69,013,478</b>
<b>Liabilities other than provisions</b>		<b>206,397,508</b>	<b>89,059,321</b>
<b>Equity and liabilities</b>		<b>83,664,081</b>	<b>67,961,712</b>
Unrecognised rental and lease commitments	13		
Transactions with related parties	14		
Group relations	15		
Subsidiaries	16		

# Consolidated statement of changes in equity for 2022

	Contributed capital DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	6,611,484	(27,709,093)	(21,097,609)	0	(21,097,609)
Exchange rate adjustments	0	(221,083)	(221,083)	0	(221,083)
Profit/loss for the year	0	(101,331,259)	(101,331,259)	(83,476)	(101,414,735)
<b>Equity end of year</b>	<b>6,611,484</b>	<b>(129,261,435)</b>	<b>(122,649,951)</b>	<b>(83,476)</b>	<b>(122,733,427)</b>

# Consolidated cash flow statement for 2022

	Notes	2022 DKK	2021 DKK
Operating profit/loss		(105,280,135)	(36,893,538)
Amortisation, depreciation and impairment losses		1,540,156	703,505
Working capital changes	12	(47,338,360)	36,861,972
<b>Cash flow from ordinary operating activities</b>		<b>(151,078,339)</b>	<b>671,939</b>
Financial expenses paid		(8,295,986)	(3,102,650)
Taxes refunded/(paid)		9,787,414	13,532,416
<b>Cash flows from operating activities</b>		<b>(149,586,911)</b>	<b>11,101,705</b>
Acquisition etc. of property, plant and equipment		(504,537)	(7,407,533)
Sale of fixed asset investments		0	49,834
<b>Cash flows from investing activities</b>		<b>(504,537)</b>	<b>(7,357,699)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(150,091,448)</b>	<b>3,744,006</b>
Loans raised		137,185,477	13,074,210
<b>Cash flows from financing activities</b>		<b>137,185,477</b>	<b>13,074,210</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(12,905,971)</b>	<b>16,818,216</b>
Cash and cash equivalents beginning of year		18,591,298	10,399,724
Currency translation adjustments of cash and cash equivalents		2,943,164	(8,626,642)
<b>Cash and cash equivalents end of year</b>		<b>8,628,491</b>	<b>18,591,298</b>
Cash and cash equivalents at year-end are composed of:			
Cash		8,628,491	18,591,298
<b>Cash and cash equivalents end of year</b>		<b>8,628,491</b>	<b>18,591,298</b>

# Notes to consolidated financial statements

## 1 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	24,982,452	27,008,280
Pension costs	3,386,768	3,332,048
Other social security costs	493,035	333,080
Other staff costs	505,997	789,337
	<b>29,368,252</b>	<b>31,462,745</b>
Average number of full-time employees	<b>30</b>	<b>32</b>

## 2 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Depreciation on property, plant and equipment	1,540,156	703,505
	<b>1,540,156</b>	<b>703,505</b>

## 3 Other financial expenses

	2022 DKK	2021 DKK
Exchange rate adjustments	0	28,440
Other financial expenses	8,295,986	3,074,210
	<b>8,295,986</b>	<b>3,102,650</b>

## 4 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	(9,013,337)	(9,746,440)
Adjustment concerning previous years	(1,175,829)	(4,802,491)
	<b>(10,189,166)</b>	<b>(14,548,931)</b>

## 5 Proposed distribution of profit/loss

	2022 DKK	2021 DKK
Retained earnings	(101,414,735)	(25,222,958)
	<b>(101,414,735)</b>	<b>(25,222,958)</b>

## 6 Intangible assets

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	(151,000)
<b>Cost end of year</b>	<b>(151,000)</b>
Amortisation and impairment losses beginning of year	151,000
<b>Amortisation and impairment losses end of year</b>	<b>151,000</b>
<b>Carrying amount end of year</b>	<b>0</b>

## 7 Property, plant and equipment

	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improvements DKK</b>
Cost beginning of year	5,303,134	5,808,834
Exchange rate adjustments	(229,676)	(298,390)
Additions	504,537	0
Disposals	(81,849)	0
<b>Cost end of year</b>	<b>5,496,146</b>	<b>5,510,444</b>
Depreciation and impairment losses beginning of year	(2,528,654)	(106,405)
Exchange rate adjustments	102,501	0
Depreciation for the year	(919,750)	(584,104)
Reversal regarding disposals	81,849	0
<b>Depreciation and impairment losses end of year</b>	<b>(3,264,054)</b>	<b>(690,509)</b>
<b>Carrying amount end of year</b>	<b>2,232,092</b>	<b>4,819,935</b>

## 8 Financial assets

	<b>Deposits DKK</b>
Cost beginning of year	271,579
<b>Cost end of year</b>	<b>271,579</b>
<b>Carrying amount end of year</b>	<b>271,579</b>

## 9 Prepayments

Prepayments include prepaid expenses relating to subsequent financial years.



## 10 Contributed capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
Shares	6,611,484	1.00	6,611,484	6,611,484
	<b>6,611,484</b>		<b>6,611,484</b>	<b>6,611,484</b>

## 11 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Prepayments received from customers	3,856,870	0
Trade payables	17,430,504	0
Payables to owners and management	156,317,287	0
Other payables	837,612	837,612
	<b>178,442,273</b>	<b>837,612</b>

## 12 Changes in working capital

	2022 DKK	2021 DKK
Increase/decrease in inventories	(10,155,664)	(319,164)
Increase/decrease in receivables	(17,335,318)	(13,918,082)
Increase/decrease in trade payables etc.	(19,847,378)	51,099,218
	<b>(47,338,360)</b>	<b>36,861,972</b>

## 13 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Total liabilities under rental or lease agreements until maturity	<b>21,895,000</b>	<b>21,895,000</b>

## 14 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

## 15 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
MC2 Therapeutics A/S, Agern Alle 24-26, 2970 Hørsholm

**16 Subsidiaries**

	<b>Registered in</b>	<b>Corporate form</b>	<b>Ownership %</b>	<b>Equity DKK</b>	<b>Profit/loss DKK</b>
MC2 Therapeutics Ltd.	Guildford	Ltd.	100.00	21,732,498	(97,410,140)
MC2 Therapeutics Inc.	Longwood	Inc.	100.00	153,653	29,577
Biomee ApS	Hørsholm	ApS	100.00	3,809,928	3,602,319
Zadec ApS	Hørsholm	ApS	95.00	1,667,718	(248,825)

# Parent income statement for 2022

	Notes	2022 DKK	2021 DKK
<b>Gross profit/loss</b>		<b>25,008,167</b>	<b>27,734,440</b>
Staff costs	2	(23,155,896)	(26,007,015)
Depreciation, amortisation and impairment losses	3	(224,698)	(275,516)
<b>Operating profit/loss</b>		<b>1,627,573</b>	<b>1,451,909</b>
Income from investments in group enterprises		(96,708,068)	(28,985,945)
Other financial income	4	2,052,359	5,488,657
Other financial expenses	5	(8,303,123)	(3,177,579)
<b>Profit/loss for the year</b>	6	<b>(101,331,259)</b>	<b>(25,222,958)</b>

# Parent balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK	2021 DKK
Acquired intangible assets		0	0
<b>Intangible assets</b>	7	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		222,278	406,706
Leasehold improvements		106,671	146,939
<b>Property, plant and equipment</b>	8	<b>328,949</b>	<b>553,645</b>
Investments in group enterprises		25,696,190	46,431,523
Deposits		271,579	271,580
<b>Financial assets</b>	9	<b>25,967,769</b>	<b>46,703,103</b>
<b>Fixed assets</b>		<b>26,296,718</b>	<b>47,256,748</b>
Receivables from group enterprises		9,267,023	1,096,655
Other receivables		1,591,571	884,166
Prepayments	10	629,342	899,123
<b>Receivables</b>		<b>11,487,936</b>	<b>2,879,944</b>
<b>Cash</b>		<b>807,689</b>	<b>1,465,818</b>
<b>Current assets</b>		<b>12,295,625</b>	<b>4,345,762</b>
<b>Assets</b>		<b>38,592,343</b>	<b>51,602,510</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Contributed capital		6,611,484	6,611,484
Reserve for net revaluation according to equity method		153,676	0
Retained earnings		(129,415,111)	(27,709,070)
<b>Equity</b>		<b>(122,649,951)</b>	<b>(21,097,586)</b>
Payables to owners and management		156,317,287	19,131,810
Other payables	11	837,612	914,131
<b>Non-current liabilities other than provisions</b>	<b>12</b>	<b>157,154,899</b>	<b>20,045,941</b>
Trade payables		2,028,720	2,408,973
Payables to group enterprises		1,243,335	48,124,134
Other payables	13	815,340	2,121,048
<b>Current liabilities other than provisions</b>		<b>4,087,395</b>	<b>52,654,155</b>
<b>Liabilities other than provisions</b>		<b>161,242,294</b>	<b>72,700,096</b>
<b>Equity and liabilities</b>		<b>38,592,343</b>	<b>51,602,510</b>
Going concern	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

# Parent statement of changes in equity for 2022

	<b>Contributed capital DKK</b>	<b>Reserve for net revaluation according to the equity method DKK</b>	<b>Retained earnings DKK</b>	<b>Total DKK</b>
Equity beginning of year	6,611,484	0	(27,709,070)	(21,097,586)
Exchange rate adjustments	0	0	(221,106)	(221,106)
Profit/loss for the year	0	153,676	(101,484,935)	(101,331,259)
<b>Equity end of year</b>	<b>6,611,484</b>	<b>153,676</b>	<b>(129,415,111)</b>	<b>(122,649,951)</b>

# Notes to parent financial statements

## 1 Going concern

The company has secured a loan facility of DKK 120M from existing shareholders and considers this – together with expectations of continued growth of revenue - as sufficient to finance the Group's activities through 2024.

## 2 Staff costs

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	19,732,749	22,505,230
Pension costs	2,738,541	2,784,745
Other social security costs	195,509	126,804
Other staff costs	489,097	590,236
	<b>23,155,896</b>	<b>26,007,015</b>
Average number of full-time employees	<b>16</b>	<b>19</b>

## 3 Depreciation, amortisation and impairment losses

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Depreciation on property, plant and equipment	224,698	275,516
	<b>224,698</b>	<b>275,516</b>

## 4 Other financial income

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	162,293	5,042,653
Exchange rate adjustments	1,890,066	446,004
	<b>2,052,359</b>	<b>5,488,657</b>

## 5 Other financial expenses

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	1,103	2,037
Other interest expenses	8,271,747	3,113,240
Exchange rate adjustments	0	28,440
Other financial expenses	30,273	33,862
	<b>8,303,123</b>	<b>3,177,579</b>

**6 Proposed distribution of profit and loss**

	<b>2022</b>	<b>2021</b>
	<b>DKK</b>	<b>DKK</b>
Retained earnings	(101,331,259)	(25,222,958)
	<b>(101,331,259)</b>	<b>(25,222,958)</b>

**7 Intangible assets**

	<b>Acquired intangible assets DKK</b>
Cost beginning of year	151,000
<b>Cost end of year</b>	<b>151,000</b>
Amortisation and impairment losses beginning of year	(151,000)
<b>Amortisation and impairment losses end of year</b>	<b>(151,000)</b>
<b>Carrying amount end of year</b>	<b>0</b>

**8 Property, plant and equipment**

	<b>Other fixtures and fittings, tools and equipment DKK</b>	<b>Leasehold improvements DKK</b>
Cost beginning of year	1,026,981	253,345
<b>Cost end of year</b>	<b>1,026,981</b>	<b>253,345</b>
Depreciation and impairment losses beginning of year	(620,274)	(106,405)
Depreciation for the year	(184,429)	(40,269)
<b>Depreciation and impairment losses end of year</b>	<b>(804,703)</b>	<b>(146,674)</b>
<b>Carrying amount end of year</b>	<b>222,278</b>	<b>106,671</b>



## 9 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	858,284,766	271,579
Additions	76,028,400	0
<b>Cost end of year</b>	<b>934,313,166</b>	<b>271,579</b>
Impairment losses beginning of year	(811,853,242)	0
Exchange rate adjustments	(221,106)	0
Share of profit/loss for the year	(96,708,068)	0
Investments with negative equity value depreciated over receivables	165,440	0
<b>Impairment losses end of year</b>	<b>(908,616,976)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>25,696,190</b>	<b>271,579</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

## 10 Prepayments

Prepayments include prepaid expenses relating to subsequent financial years.

## 11 Other payables

	2022 DKK	2021 DKK
Holiday pay obligation	837,612	914,131
	<b>837,612</b>	<b>914,131</b>

## 12 Non-current liabilities other than provisions

	Due after more than 12 months 2022 DKK
Payables to owners and management	156,317,287
Other payables	837,612
	<b>157,154,899</b>

## 13 Other payables

	2022 DKK	2021 DKK
VAT and duties	0	21
Wages and salaries, personal income taxes, social security costs, etc. payable	12,780	1,093,144
Holiday pay obligation	802,560	1,027,883
	<b>815,340</b>	<b>2,121,048</b>

#### 14 Unrecognised rental and lease commitments

	2022	2021
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	340,000	340,000

#### 15 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

#### 16 Related parties with controlling interest

MC2 Holding ApS, Sønderborg indirectly owns majority of shares in the Entity, thus exercising control.

#### 17 Non-arm's length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

## Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, costs of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred, or to be incurred, in respect of the transaction, can be measured reliably and is recognized in accordance with the terms of sales contracts.

Revenue is measured at the contractual sales price, reflecting the consideration received or receivable from customers, net of any value added or sales taxes, and provisions for a variety of sales deductions including; managed healthcare organizations, and government programs and co-pay arrangements. In addition, goods may be sold principally sold under a "sale-or-return" basis, where customers may return products in line with the

Group's return policy. Sales deductions and product returns are considered variable consideration and are estimated at the time of sale using the expected value method.

Unsettled sales rebates and product returns are recognized as provisions when timing or amount is uncertain. Payable amounts that are absolute are recognized as other liabilities. Sales discounts and rebates that are payable to customers are off-set in trade receivables.

The Group has used the guidance under IAS18 as interpretation on the general principles in the Danish Financial Statements Act to determine which part are seen as Principal in promotion and collaboration agreement with EPI Health, LCC. Management has concluded that the Group are seen as Principal, and has decided to recognize revenue Gross of cost of sales, distribution, sales and staff costs initially held by EPI Health, LLC.

### Other revenue

Other revenue is primarily generated from license and commercialization agreements as well as intercompany recharge of administrative costs.

Royalty income is recognized on an accruals basis when the sale is made, and the company becomes entitled to the royalty receipt. Milestone income is recognized upfront on completion of the milestone in accordance with the terms of the contract.

Milestone income is recognized upfront on completion of the milestone in accordance with the terms of the contract.

License fee income is recognized when the performance obligation is fulfilled, when customer acceptance is obtained, and the license meets the agreed contract specifications.

Intercompany recharge of costs are recognized as costs are incurred. Revenue from intercompany recharges is measured at cost held plus a mark-up.

Other revenue is stated net of value added taxes and discounts.

**Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

**Cost of sales**

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

**Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Intellectual property rights etc.**

Intellectual property rights etc. comprise development projects completed related to intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

### **Property, plant and equipment**

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	5
Leasehold improvements	5

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Investments in group enterprises**

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

**Tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

**Cash**

Cash comprises cash in hand and bank deposits.

**Minority interests**

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt.

Cash and cash equivalents comprise cash.