



## MC2 Therapeutics A/S

Agern Alle 24-26  
2970 Hørsholm  
CVR No. 29526346

## Annual report 2020

The Annual General Meeting adopted the  
annual report on 24.06.2021

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**Jesper Jørn Lange**

Chairman of the General Meeting

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# Entity details

## Entity

MC2 Therapeutics A/S

Agern Alle 24-26

2970 Hørsholm

CVR No.: 29526346

Registered office: Rudersdal

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Mads Jørgen Nøhr Clausen, Chairman

Jesper Jørn Lange

Mette Vagner Johannesen

Anders Dahlgaard Hove

## Executive Board

Jesper Jørn Lange

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

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 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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.

Hørsholm, 24.06.2021

## Executive Board

**Jesper Jørn Lange**

## Board of Directors

**Mads Jørgen Nøhr Clausen**  
Chairman

**Jesper Jørn Lange**

**Mette Vagner Johannesen**

**Anders Dahlgaard Hove**

# Independent auditor's report

## To the shareholders of MC2 Therapeutics A/S

### Opinion

We have audited the financial statements of MC2 Therapeutics A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 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 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 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 financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Copenhagen, 24.06.2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

**Jens Sejer Pedersen**

State Authorised Public Accountant

Identification No (MNE) mne14986

# Management commentary

## Primary activities

The Company is a commercial stage pharmaceutical company committed to build leadership in topical therapies for autoimmune and chronic inflammatory conditions. The Company is the holding company of the MC2 Therapeutics Group, which also comprises the UK subsidiary MC2 Therapeutics Ltd., at which material R&D and commercial activities is conducted.

MC2 is using its proprietary PAD™ Technology and years of research into the pathophysiology of poorly understood diseases to develop first or best-in-class topical therapies and treatment paradigms. PAD™ Technology enables a new type of cream, lotion and eye drops that holds the potential of setting a new standard in topical therapies.

## Description of material changes in activities and finances

During the year the company has achieved significant milestones including:

- Successful US FDA Marketing Approval of Wyzora® Cream for treatment of plaque psoriasis,
- Submission of the Marketing Authorization Application for Wyzora® in Europe,
- Launch preparations and manufacturing of supply for launch of Wyzora® Cream in the US and EU,
- Entering into a Collaboration Agreement in the US with EPI Health concerning launch of Wyzora®
- Preparation of launch of biomee™ skin care line and
- Continued research and development of several pipeline projects including Sjogren dry eye, uremic pruritus, lichen sclerosus, vitiligo and atopic dermatitis.

The result shows a loss of DKK (86.941) thousands and shall be seen in context with development costs defrayed in the group being recognized as expenses on a current basis.

## Events after the balance sheet date

The Company's subsidiary MC2 Therapeutics Ltd, UK has concluded a significant Collaboration, Manufacturing and License Agreement with Almirall S.A., Spain covering Wyzora® in Europe and has received upfront payments from Almirall. Together with the launch activities in the US, MC2 Therapeutics has taken important steps to pursue a strong global roll-out of Wyzora® and is expecting significant revenues from these commercial activities in the coming years. The Company is not significantly negatively impacted by COVID-19.

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



# Income statement for 2020

	Notes	2020 DKK	2019 DKK
<b>Gross profit/loss</b>		<b>15,938,167</b>	<b>13,678,382</b>
Staff costs	2	(14,706,092)	(14,067,556)
Depreciation, amortisation and impairment losses		(244,597)	(216,280)
<b>Operating profit/loss</b>		<b>987,478</b>	<b>(605,454)</b>
Income from investments in group enterprises		(94,965,266)	(87,231,679)
Other financial income	3	9,524,500	6,646,265
Other financial expenses	4	(2,616,442)	(81,240)
<b>Profit/loss before tax</b>		<b>(87,069,730)</b>	<b>(81,272,108)</b>
Tax on profit/loss for the year	5	129,076	(129,076)
<b>Profit/loss for the year</b>		<b>(86,940,654)</b>	<b>(81,401,184)</b>
<b>Proposed distribution of profit and loss</b>			
Retained earnings		(86,940,654)	(81,401,184)
<b>Proposed distribution of profit and loss</b>		<b>(86,940,654)</b>	<b>(81,401,184)</b>

# Balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK	2019 DKK
Acquired intangible assets		27,683	57,883
<b>Intangible assets</b>	6	<b>27,683</b>	<b>57,883</b>
Other fixtures and fittings, tools and equipment		527,596	723,155
Leasehold improvements		53,321	44,159
<b>Property, plant and equipment</b>	7	<b>580,917</b>	<b>767,314</b>
Investments in group enterprises		82,253	54,454
Deposits		181,370	181,370
<b>Financial assets</b>	8	<b>263,623</b>	<b>235,824</b>
<b>Fixed assets</b>		<b>872,223</b>	<b>1,061,021</b>
Receivables from group enterprises		26,380,740	78,612,368
Other receivables		929,089	204,897
Prepayments		158,183	90,175
<b>Receivables</b>		<b>27,468,012</b>	<b>78,907,440</b>
<b>Cash</b>		<b>7,804,656</b>	<b>26,641,725</b>
<b>Current assets</b>		<b>35,272,668</b>	<b>105,549,165</b>
<b>Assets</b>		<b>36,144,891</b>	<b>106,610,186</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2020 DKK</b>	<b>2019 DKK</b>
Contributed capital		6,611,484	6,561,607
Retained earnings		7,318,699	59,270,890
<b>Equity</b>		<b>13,930,183</b>	<b>65,832,497</b>
Provisions for investments in group enterprises		9,481,992	9,372,515
<b>Provisions</b>		<b>9,481,992</b>	<b>9,372,515</b>
Other payables		1,058,189	423,835
<b>Non-current liabilities other than provisions</b>	9	<b>1,058,189</b>	<b>423,835</b>
Bank loans		111,806	33,476
Trade payables		1,912,866	1,313,677
Payables to group enterprises		7,319,094	27,762,131
Joint taxation contribution payable		0	129,076
Other payables		2,330,761	1,742,979
<b>Current liabilities other than provisions</b>		<b>11,674,527</b>	<b>30,981,339</b>
<b>Liabilities other than provisions</b>		<b>12,732,716</b>	<b>31,405,174</b>
<b>Equity and liabilities</b>		<b>36,144,891</b>	<b>106,610,186</b>
Uncertainty relating to recognition and measurement	1		
Contingent liabilities	10		

# Statement of changes in equity for 2020

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	6,561,607	0	59,270,890	65,832,497
Increase of capital	49,877	27,636,523	0	27,686,400
Transferred from share premium	0	(27,636,523)	27,636,523	0
Exchange rate adjustments	0	0	7,351,940	7,351,940
Profit/loss for the year	0	0	(86,940,654)	(86,940,654)
<b>Equity end of year</b>	<b>6,611,484</b>	<b>0</b>	<b>7,318,699</b>	<b>13,930,183</b>

# Notes

## 1 Uncertainty relating to recognition and measurement

In accordance with English tax legislation, the subsidiary, MC2 Therapeutics Ltd, has an option to claim tax relief on research and development costs. At the time of the signing of the Annual Report the tax relief for 2019 has been paid out, and Management has estimated that the tax relief claim for 2020, which has been calculated using the same principles and method as 2019, amounts to GBP 500k. The final amount is subject to a detailed calculation and negotiations with the Tax Authorities, and are therefore subject to uncertainty.

## 2 Staff costs

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	12,514,400	11,910,600
Pension costs	2,060,433	1,954,644
Other social security costs	107,536	80,435
Other staff costs	23,723	121,877
	<b>14,706,092</b>	<b>14,067,556</b>
Number of employees at balance sheet date	<b>12</b>	<b>11</b>

## 3 Other financial income

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Financial income from group enterprises	8,738,676	6,637,370
Other interest income	45,667	8,895
Exchange rate adjustments	740,157	0
	<b>9,524,500</b>	<b>6,646,265</b>

## 4 Other financial expenses

	<b>2020</b>	<b>2019</b>
	<b>DKK</b>	<b>DKK</b>
Financial expenses from group enterprises	794,316	0
Other interest expenses	3,951	32,764
Exchange rate adjustments	1,818,175	48,476
	<b>2,616,442</b>	<b>81,240</b>

## 5 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	0	129,076
Adjustment concerning previous years	(129,076)	0
	<b>(129,076)</b>	<b>129,076</b>

## 6 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	151,000
<b>Cost end of year</b>	<b>151,000</b>
Amortisation and impairment losses beginning of year	(93,117)
Amortisation for the year	(30,200)
<b>Amortisation and impairment losses end of year</b>	<b>(123,317)</b>
<b>Carrying amount end of year</b>	<b>27,683</b>

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	937,574	94,190
Additions	0	28,000
<b>Cost end of year</b>	<b>937,574</b>	<b>122,190</b>
Depreciation and impairment losses beginning of year	(214,419)	(50,031)
Impairment losses for the year	(195,559)	0
Depreciation for the year	0	(18,838)
<b>Depreciation and impairment losses end of year</b>	<b>(409,978)</b>	<b>(68,869)</b>
<b>Carrying amount end of year</b>	<b>527,596</b>	<b>53,321</b>

## 8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	556,658,447	181,370
<b>Cost end of year</b>	<b>556,658,447</b>	<b>181,370</b>
Impairment losses beginning of year	(556,603,993)	0
Exchange rate adjustments	7,351,959	0
Share of profit/loss for the year	(94,965,266)	0
Impairment losses for the year	87,531,629	0
Investments with negative equity value transferred to provisions	109,477	0
<b>Impairment losses end of year</b>	<b>(556,576,194)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>82,253</b>	<b>181,370</b>

## 9 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK
Other payables	1,058,189
	<b>1,058,189</b>

## 10 Contingent liabilities

	2020 DKK	2019 DKK
Other contingent liabilities	340,000	181,000
<b>Contingent liabilities</b>	<b>340,000</b>	<b>181,000</b>

The Company has submitted letter of support to a number of subsidiaries. The Company has accepted an obligation to, once or several times, to supply necessary liquidity to subsidiaries on order for them to continue operations until May 2021.

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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

# Accounting policies

## Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

## Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

## 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.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### 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 salaries and wages, and social security contributions, pension contributions, etc for entity



staff.

### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to 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 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 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 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 acquired 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 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.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

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 according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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 reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 5-10 years.

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

### **Receivables**

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

### **Prepayments**

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

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Other provisions**

Other provisions comprise provisions for securities for subsidiaries.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

**Other financial liabilities**

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

**Joint taxation contributions payable or receivable**

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.