



MC2 Therapeutics A/S

Agern Alle 24-26
2970 Hørsholm
CVR No. 29526346

Annual report 2023

The Annual General Meeting adopted the annual report on 05.07.2024

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

Business Registration No.: 29526346

Date of foundation: 04.05.2006

Registered office: Rudersdal

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Mads Jørgen Nøhr Clausen

Anders Dahlgaard Hove

Tomas Dahl Mikkelsen

John Sørensen Haurum

Executive Board

Jesper Jørn Lange

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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, 05.07.2024

Executive Board

Jesper Jørn Lange

Board of Directors

Mads Jørgen Nøhr Clausen

Anders Dahlgaard Hove

Tomas Dahl Mikkelsen

John Sørensen Haurum

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Copenhagen, 05.07.2024

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Jens Sejer Pedersen

State Authorised Public Accountant

Identification No (MNE) mne14986

Management commentary

Financial highlights

	2023	2022	2021
	DKK'000	DKK'000	DKK'000
Key figures			
Gross profit/loss	577	(74,372)	(4,727)
Operating profit/loss	(33,549)	(105,280)	(36,894)
Net financials	(14,248)	(6,324)	(2,878)
Profit/loss for the year	(41,869)	(101,415)	(25,223)
Profit for the year excl. minority interests	(41,851)	(101,415)	(25,223)
Balance sheet total	57,642	83,664	67,962
Investments in property, plant and equipment	499	505	0
Equity	(164,635)	(122,733)	(21,098)
Equity excl. minority interests	(164,534)	(122,650)	(21,098)
Cash flows from operating activities	(29,140)	(149,587)	11,102
Cash flows from investing activities	(499)	(505)	(7,358)
Cash flows from financing activities	37,180	137,185	13,074
Ratios			
Equity ratio (%)	(285.44)	(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 (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The Company is the parent company in the MC2 Therapeutics Group that also comprises its UK subsidiary MC2 Therapeutics Ltd., a commercial stage pharmaceutical company committed to developing novel treatment paradigms within Immunology and Inflammation (“I&I”).

By combining cross-silo thinking and deep knowledge of immunology with a multi-disciplinary approach spanning all fields of science and product development, the Company enhances its ability to identify new treatment opportunities that are truly differentiated and advance them through clinical development to patients globally. When topicals are the appropriate dosage form, MC2 Therapeutics Group 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 with a License, Development and Commercialization Agreement with Hangzhou Zhongmei Huadong Pharmaceutical Co (“Huadong Medicine”) in China
2. Acquired global (ex-China) option rights to MC2-32 a Ph2 stage first-in-class oral drug candidate for multiple I&I indications
3. Announced positive Ph2a trial results with MC2-32 in Hidradenitis Suppurativa
4. Enrolled first patients in phase 2a POC clinical trial on MC2-25 in Vulvar Lichen Sclerosus
5. In October 2023, MC2 Therapeutics entered into a Distribution and Supply Agreement with Mayne Pharma Commercial LLC in the US replacing its previous partner Novan, Inc. MC2 Therapeutics Group will continue to own and ensure sales and marketing of Wyzora® Cream in the US.

Profit/loss for the year in relation to expected developments

The result shows a loss of DKK 41.9M (USD 6M) and shall be seen in context with sales and marketing efforts for Wyzora® in the US, material pipeline R&D costs defrayed in the Group being recognized as expenses on a current basis. The result includes a capital gain equal to approx. DKK 15M coming from a discount from an early re-payment of debt.

Almirall S.A., Spain continues to roll out Wyzora® Cream in several countries in Europe, which has triggered increased royalty payments and milestones to MC2 Therapeutics.

The result is also positively impacted by an upfront payment from Huadong Medicine under the License Agreement in China. MC2 Therapeutics is continuing a global roll-out of Wyzora® Cream 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 Company's equity is negative at DKK 164.5M (USD 23.5M) which are primarily financed by loan from group related companies.

The company has in June 2024 entered into an agreement for additional long-term financing of the company's planned clinical activities and growth of Wyzora®. Management evaluates that this financing – together with expectations of continued growth of revenue from Wyzora® - provides the sufficient basis for financing the MC2 Therapeutics Group planned activities throughout 2024.

Events after the balance sheet date

Besides entering into the long-term loan agreement described in the section "Outlook", 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 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		576,834	(74,371,727)
Staff costs	2	(32,616,857)	(29,368,252)
Depreciation, amortisation and impairment losses	3	(1,508,694)	(1,540,156)
Operating profit/loss		(33,548,717)	(105,280,135)
Other financial income		5,477,942	1,972,220
Other financial expenses	4	(19,726,370)	(8,295,986)
Profit/loss before tax		(47,797,145)	(111,603,901)
Tax on profit/loss for the year	5	5,928,248	10,189,166
Profit/loss for the year	6	(41,868,897)	(101,414,735)

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Other fixtures and fittings, tools and equipment		1,781,029	2,232,092
Leasehold improvements		4,400,510	4,819,935
Property, plant and equipment	7	6,181,539	7,052,027
Deposits		443,998	271,579
Financial assets	8	443,998	271,579
Fixed assets		6,625,537	7,323,606
Manufactured goods and goods for resale		13,935,709	11,029,315
Prepayments for goods		0	4,481,842
Inventories		13,935,709	15,511,157
Trade receivables		7,691,613	14,471,790
Other receivables		1,795,717	4,919,531
Tax receivable	9	6,003,130	19,133,144
Prepayments	10	5,593,404	13,676,362
Receivables		21,083,864	52,200,827
Cash		15,997,050	8,628,491
Current assets		51,016,623	76,340,475
Assets		57,642,160	83,664,081

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital	11	6,611,484	6,611,484
Retained earnings		(171,145,338)	(129,261,435)
Equity belonging to Parent's shareholders		(164,533,854)	(122,649,951)
Equity belonging to minority interests		(101,297)	(83,476)
Equity		(164,635,151)	(122,733,427)
Prepayments received from customers		8,578,816	3,856,870
Trade payables		0	17,430,504
Payables to owners and management		189,574,606	156,317,287
Other payables		873,923	837,612
Non-current liabilities other than provisions	12	199,027,345	178,442,273
Prepayments received from customers		4,425,319	503,070
Trade payables		17,317,758	26,422,491
Other payables		1,506,889	1,029,674
Current liabilities other than provisions		23,249,966	27,955,235
Liabilities other than provisions		222,277,311	206,397,508
Equity and liabilities		57,642,160	83,664,081
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	14		
Non-arm's length related party transactions	15		
Group relations	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2023

	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	(129,261,435)	(122,649,951)	(83,476)	(122,733,427)
Exchange rate adjustments	0	(32,737)	(32,737)	(90)	(32,827)
Profit/loss for the year	0	(41,851,166)	(41,851,166)	(17,731)	(41,868,897)
Equity end of year	6,611,484	(171,145,338)	(164,533,854)	(101,297)	(164,635,151)

Consolidated cash flow statement for 2023

	Notes	2023 DKK	2022 DKK
Operating profit/loss		(33,548,717)	(105,280,135)
Amortisation, depreciation and impairment losses		1,508,694	1,540,156
Working capital changes	13	(1,909,966)	(47,338,360)
Cash flow from ordinary operating activities		(33,949,989)	(151,078,339)
Financial income received		5,477,942	0
Financial expenses paid		(19,726,370)	(8,295,986)
Taxes refunded/(paid)		19,058,262	9,787,414
Cash flows from operating activities		(29,140,155)	(149,586,911)
Acquisition etc. of property, plant and equipment		(499,050)	(504,537)
Cash flows from investing activities		(499,050)	(504,537)
Free cash flows generated from operations and investments before financing		(29,639,205)	(150,091,448)
Loans raised		37,179,568	137,185,477
Cash flows from financing activities		37,179,568	137,185,477
Increase/decrease in cash and cash equivalents		7,540,363	(12,905,971)
Cash and cash equivalents beginning of year		8,628,491	18,591,298
Currency translation adjustments of cash and cash equivalents		(171,804)	2,943,164
Cash and cash equivalents end of year		15,997,050	8,628,491
Cash and cash equivalents at year-end are composed of:			
Cash		15,997,050	8,628,491
Cash and cash equivalents end of year		15,997,050	8,628,491

Notes to consolidated financial statements

1 Events after the balance sheet date

At year-end the MC2 Therapeutics Group has a negative equity belonging to Parent's shareholders amounting to minus DKK 164.5M (USD 23.5M) which according to note 12 are primarily financed by long-term loan from group related companies.

The Parent Company has in June 2024 entered into an agreement for additional long-term financing of the Group's planned clinical activities and growth of Wynzora®. Management evaluates that this financing – together with expectations of continued growth of revenue from Wynzora® – provides the sufficient basis for financing the MC2 Therapeutics Group's planned activities throughout 2024. Shares in MC2 Therapeutisc Ltd will be pledged as security for the loan.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	28,058,654	24,982,452
Pension costs	4,022,209	3,386,768
Other social security costs	535,994	493,035
Other staff costs	0	505,997
	32,616,857	29,368,252
Average number of full-time employees	29	30

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Depreciation on property, plant and equipment	1,508,694	1,540,156
	1,508,694	1,540,156

4 Other financial expenses

	2023	2022
	DKK	DKK
Other interest expenses	18,986,757	0
Other financial expenses	739,613	8,295,986
	19,726,370	8,295,986

5 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	(5,928,248)	(9,013,337)
Adjustment concerning previous years	0	(1,175,829)
	(5,928,248)	(10,189,166)

6 Proposed distribution of profit/loss

	2023 DKK	2022 DKK
Retained earnings	(41,851,166)	(101,414,735)
Minority interests' share of profit/loss	(17,731)	0
	(41,868,897)	(101,414,735)

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	5,496,146	5,510,444
Exchange rate adjustments	102,021	120,008
Additions	421,887	77,163
Cost end of year	6,020,054	5,707,615
Depreciation and impairment losses beginning of year	(3,264,054)	(690,509)
Exchange rate adjustments	(64,247)	(18,626)
Depreciation for the year	(910,724)	(597,970)
Depreciation and impairment losses end of year	(4,239,025)	(1,307,105)
Carrying amount end of year	1,781,029	4,400,510

8 Financial assets

	Deposits DKK
Cost beginning of year	271,579
Additions	172,419
Cost end of year	443,998
Carrying amount end of year	443,998

9 Tax receivable

Tax receivables primarily consists of estimated receivables under R&D tax scheme.

10 Prepayments

Prepayments include prepaid expenses relating to subsequent financial years.

11 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
	6,611,484		6,611,484	6,611,484

12 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK	Outstanding after 5 years 2023 DKK
Prepayments received from customers	8,578,816	0
Payables to owners and management	189,574,606	0
Other payables	873,923	873,923
	199,027,345	873,923

13 Changes in working capital

	2023 DKK	2022 DKK
Increase/decrease in inventories	(2,906,394)	(10,155,664)
Increase/decrease in receivables	22,296,373	(17,335,318)
Increase/decrease in trade payables etc.	(21,299,945)	(19,847,378)
	(1,909,966)	(47,338,360)

14 Unrecognised rental and lease commitments

	2023 DKK	2022 DKK
Total liabilities under rental or lease agreements until maturity	22,001,000	21,895,000

15 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.

16 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

17 Subsidiaries

	Registered in	Corporate form	Ownership %	Equity DKK	Profit/loss DKK
MC2 Therapeutics Ltd.	Guildford	Ltd.	100.00	(605,827)	(39,539,942)
MC2 Therapeutics Inc.	Longwood	Inc.	100.00	127,866	(21,237)
Biomee ApS	Hørsholm	ApS	100.00	7,867,031	11,676,959
Zadec ApS	Hørsholm	ApS	95.00	(354,620)	(2,022,338)

Parent income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		26,355,182	24,451,635
Staff costs	2	(24,444,885)	(22,599,364)
Depreciation, amortisation and impairment losses	3	(240,743)	(224,698)
Operating profit/loss		1,669,554	1,627,573
Income from investments in group enterprises		(32,030,904)	(96,708,068)
Other financial income	4	7,714,572	2,052,359
Other financial expenses	5	(19,204,388)	(8,303,123)
Profit/loss before fair value adjustments and tax		(41,851,166)	(101,331,259)
Profit/loss for the year	6	(41,851,166)	(101,331,259)

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Acquired intangible assets		0	0
Intangible assets	7	0	0
Other fixtures and fittings, tools and equipment		70,122	222,278
Leasehold improvements		135,909	106,671
Property, plant and equipment	8	206,031	328,949
Investments in group enterprises		11,804,825	25,696,190
Deposits		443,998	271,579
Financial assets	9	12,248,823	25,967,769
Fixed assets		12,454,854	26,296,718
Receivables from group enterprises		15,439,873	9,267,023
Other receivables		1,005,464	1,591,571
Prepayments	10	762,507	629,342
Receivables		17,207,844	11,487,936
Cash		925,987	807,689
Current assets		18,133,831	12,295,625
Assets		30,588,685	38,592,343

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		6,611,484	6,611,484
Reserve for net revaluation according to equity method		0	153,676
Retained earnings		(171,145,338)	(129,415,111)
Equity		(164,533,854)	(122,649,951)
Payables to group enterprises		189,574,607	156,317,287
Other payables	11	873,923	837,612
Non-current liabilities other than provisions	12	190,448,530	157,154,899
Trade payables		1,751,519	2,028,720
Payables to group enterprises		1,490,407	1,243,335
Other payables	13	1,432,083	815,340
Current liabilities other than provisions		4,674,009	4,087,395
Liabilities other than provisions		195,122,539	161,242,294
Equity and liabilities		30,588,685	38,592,343
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Related parties with controlling interest	16		
Non-arm's length related party transactions	17		

Parent statement of changes in equity for 2023

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	6,611,484	153,676	(129,415,111)	(122,649,951)
Exchange rate adjustments	0	0	(32,737)	(32,737)
Profit/loss for the year	0	(153,676)	(41,697,490)	(41,851,166)
Equity end of year	6,611,484	0	(171,145,338)	(164,533,854)

Notes to parent financial statements

1 Events after the balance sheet date

At year-end the MC2 Therapeutics Group has a negative equity belonging to Parent's shareholders amounting to minus DKK 164.5M (USD 23.5M) which according to note 12 are primarily financed by long-term loan from group related companies.

The Parent Company has in June 2024 entered into an agreement for additional long-term financing of the Group's planned clinical activities and growth of Wyzora®. Management evaluates that this financing – together with expectations of continued growth of revenue from Wyzora® – provides the sufficient basis for financing the MC2 Therapeutics Group's planned activities throughout 2024. Shares in MC2 Therapeutisc Ltd will be pledged as security for the loan.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	21,191,810	19,732,749
Pension costs	3,160,289	2,738,541
Other social security costs	92,786	128,074
	24,444,885	22,599,364
Average number of full-time employees	15	16

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Depreciation on property, plant and equipment	240,743	224,698
	240,743	224,698

4 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	3,381,536	162,293
Exchange rate adjustments	4,333,036	1,890,066
	7,714,572	2,052,359

5 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	0	1,103
Other interest expenses	18,986,757	8,271,747
Other financial expenses	217,631	30,273
	19,204,388	8,303,123

6 Proposed distribution of profit and loss

	2023	2022
	DKK	DKK
Retained earnings	(41,851,166)	(101,331,259)
	(41,851,166)	(101,331,259)

7 Intangible assets

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

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	1,026,981	253,345
Additions	40,662	77,163
Cost end of year	1,067,643	330,508
Depreciation and impairment losses beginning of year	(804,703)	(146,674)
Depreciation for the year	(192,818)	(47,925)
Depreciation and impairment losses end of year	(997,521)	(194,599)
Carrying amount end of year	70,122	135,909

9 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	934,313,166	271,579
Additions	17,229,600	172,419
Cost end of year	951,542,766	443,998
Impairment losses beginning of year	(908,616,976)	0
Exchange rate adjustments	(32,759)	0
Share of profit/loss for the year	(32,030,904)	0
Investments with negative equity value depreciated over receivables	942,698	0
Impairment losses end of year	(939,737,941)	0
Carrying amount end of year	11,804,825	443,998

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

	2023 DKK	2022 DKK
Holiday pay obligation	873,923	837,612
	873,923	837,612

12 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK	Outstanding after 5 years 2023 DKK
Payables to group enterprises	189,574,607	0
Other payables	873,923	873,923
	190,448,530	873,923

13 Other payables

	2023 DKK	2022 DKK
Wages and salaries, personal income taxes, social security costs, etc. payable	692,857	12,780
Holiday pay obligation	739,226	802,560
	1,432,083	815,340

14 Unrecognised rental and lease commitments

	2023	2022
	DKK	DKK
Total liabilities under rental or lease agreements until maturity	443,998	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 normal 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:

	Useful life
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.