

# MedTrace Pharma A/S

Agern Alle 5A  
2970 Hørsholm

CVR no. 36 49 76 61

## **Annual report 2021**

The annual report was presented and approved at the  
Company's annual general meeting on  
on 30 May 2022

---

chair of the annual general meeting

## Contents

Statement of the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Consolidated financial statements 1 January – 31 December	8
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	11
Cash flow statement	12
Notes	13
Notes	14
Parent Company financial statements 1 January – 31 December	33
Statement of comprehensive income	33
Statement of financial position	34
Cash flow statement	37
Notes	38

## Statement of the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of MedTrace Pharma A/S and of the Parent Company for the financial year 2021.

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2021 and of the Group's and the Parent Company's operation and cash flow for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review for the Group and the Parent Company.

We recommend that the annual report be approved at the annual general meeting.

Hørsholm, 30 May 2022  
Executive Board:

---

Martin Dal Stenfeldt

---

Rune Wiik Kristensen

Board of Directors:

---

Erik Anders Strömqvist  
Chair

---

Mads Spangaard Rasmussen

---

Claus Henrik Berner Møller

---

Jens Hesthaven Sørensen

---

Cesare Orlandi

---

Robert Karl Schier

## Independent auditor's report

### To the shareholders of MedTrace Pharma A/S

#### Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

#### *Audited financial statements*

The consolidated financial statements and parent company financial statements of MedTrace Pharma A/S for the financial year 1 January – 31 December 2021 comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the 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.

#### Statement on the Management's review

Management is responsible for the Management's review.

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

## Independent auditor's report

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

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

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

## Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Group or the Parent Company 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 as to 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 may 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 Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- conclude on the appropriateness of Management's use of the going concern basis of accounting 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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.

Copenhagen, 30 May 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Morten Høgh-Petersen  
State Authorised  
Public Accountant  
mne34283

**MedTrace Pharma A/S**  
Annual report 2021  
CVR no. 36 49 76 61

## Management's review

### Company details

MedTrace Pharma A/S  
Agern Allé 5A  
2970 Hørsholm

Telephone: +45 31 38 85 81  
Website: [www.medtrace.dk](http://www.medtrace.dk)

CVR no. 36 49 76 61  
Established: 5 January 2015  
Registered office: Hørsholm  
Financial year: 1 January – 31 December

### Board of Directors

Erik Anders Strömqvist (Chair)  
Mads Spangaard Rasmussen  
Claus Henrik Berner Møller  
Jens Hesthaven Sørensen  
Cesare Orlandi  
Robert Karl Schier

### Executive Board

Martin Dal Stenfeldt (CEO)  
Rune Wiik Kristensen

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 København Ø  
CVR no. 25 57 81 98

### Annual general meeting

The annual general meeting will be held on 30 May 2022.

## Management's review

### Operating review

#### Principal activities

The Company's primary activity consists of development and commercialization of an automated injection system for <sup>15</sup>O-water (gold standard perfusion tracer for PET imaging) and an analytical software platform for interpretation of PET images based on <sup>15</sup>O-water.

In 2021, the developmental activities increased significantly funded by the Series B equity financing of DKK 182 million completed in May 2022, of which DKK 75 million was released in 2021. The design of the FDA phase III cardiac trial was kicked off and the software platform transitioned into development with external support to accelerate time to market. Additional hardware systems were manufactured for research purposes but also for clinical use.

With the Series B financing, the organizational scaling also commenced setting the team for further development, especially within quality assurance, regulatory affairs, clinical operations, and SGA activities with operations from both Europe and the US.

With the EIC grant awarded in 2020, MedTrace has included a European pathway in parallel to the US pathway. The ambition is to enter five markets based on magistral exemption permits for clinical use, of which Denmark and Sweden materialized in 2021 with commercial contracts of four hospitals in total. The four contracts are considered initial proof of our subscription-based business model with recurring revenue. By the end of 2021, more than 3,000 doses had been produced and injected in clinical patients.

The US market remains the long-term focus due total single market value compared to Europe that is country specific when it comes to regulations.

The single most important activity is therefore the initiation and completion of the FDA phase III cardiac trial that will enable MedTrace to obtain regulatory approval for entering the US market. The trial is funded by the Series B equity financing and patient enrollment is expected in Q2-Q3 2022.

#### Financial development

With the capital raised in 2021, MedTrace began the transition from a start-up to a growth-stage company with initial revenue generation. The majority of the Series B proceeds are earmarked to further invest in the phase III cardiac clinical trial and other clinical solutions like cancer diagnostics and to accelerate growth of the company. Additionally, the Company is investing in growth activities such as market access and supply chain management preparing for full commercial launch once the respective regulatory approvals are granted in the future.

Significant investment in the current pipeline projects and other clinical solutions will continue in the coming years. Investments in developed solutions have been capitalized with DKK 25.8 million and result for the year (loss) of DKK -17.8 million is acceptable and according to the planned activities.

The Company has limited revenue related to research and clinical trial activities which are conducted under magistral exceptions, in a few key markets.

With the current equity financing, MedTrace has extended its financial runway well into 2023. MedTrace is monitoring the financial development and the ability to meet long term goals with the current financing.

#### Events after the balance sheet date

On 11 March 2022, MedTrace received the FDA's approval to begin its phase III clinical trial thereby enabling the activity, which will open the access to the US market. First patient was enrolled on 8 May 2022.



## Consolidated financial statements 1 January – 31 December

### Statement of comprehensive income

DKK	Note	2021	2020
Revenue	3	1,529,103	480,808
Production costs	4	-1,155,569	-387,663
<b>Gross result</b>		373,534	93,145
Distribution cost		-1,319,844	-27,157
R&D costs	4	-11,638,409	-603,071
Administrative costs	4	-12,721,209	-986,417
Other income		831,193	1,413,136
<b>Operating profit/loss before financial items (EBIT)</b>		-24,474,735	-110,364
Financial income	8	41,630	33,341
Financial expenses	9	-445,151	-128,669
<b>Profit/loss before tax</b>		-24,878,256	-205,692
Tax	10	7,026,573	590,601
<b>Profit/loss for the year</b>		-17,851,683	384,909
<b>Total comprehensive income</b>			
Profit/loss for the year		-17,851,683	384,909
Exchange rate adjustment re. subsidiaries		-23,145	-47,349
Tax hereof		0	0
<b>Total comprehensive income</b>		-17,874,828	337,550

## Consolidated financial statements 1 January – 31 December

### Statement of financial position

DKK	Note	2021	2020	2020 (1 Jan)
<b>ASSETS</b>				
<b>Non-current</b>				
<b>Intangible assets</b>				
Development projects in progress	11	62,658,319	36,849,797	30,061,649
		<u>62,658,319</u>	<u>36,849,797</u>	<u>30,061,649</u>
<b>Property, plant and equipment</b>				
Plant and machinery	12	6,512,562	3,441,417	972,933
Fixtures and fittings, tools and equipment	12	1,731,747	262,201	9,785
Right-of-use assets	13	270,497	773,105	0
		<u>8,514,806</u>	<u>4,476,723</u>	<u>982,718</u>
<b>Financial assets</b>				
Deposits		767,571	116,183	30,750
		<u>767,571</u>	<u>116,183</u>	<u>30,750</u>
<b>Total non-current assets</b>		<u>71,940,696</u>	<u>41,442,703</u>	<u>31,075,117</u>
<b>Current assets</b>				
<b>Receivables</b>				
Inventories		404,082	0	0
Other receivables		3,337,886	553,729	310,863
Corporate tax	10	5,500,000	1,922,586	1,943,650
		<u>9,241,968</u>	<u>2,476,315</u>	<u>2,254,513</u>
<b>Cash at bank and in hand</b>		<u>38,333,336</u>	<u>14,111,869</u>	<u>3,744,201</u>
<b>Total current assets</b>		<u>47,575,304</u>	<u>16,588,184</u>	<u>5,998,714</u>
<b>TOTAL ASSETS</b>		<u>119,516,000</u>	<u>58,030,887</u>	<u>37,073,831</u>

## Consolidated financial statements 1 January – 31 December

### Statement of financial position

DKK	Note	2021	2020	2020 (1 Jan)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	14			
Contributed capital		2,010,488	1,354,053	1,014,893
Currency reserve		-70,494	-47,349	0
Retained earnings		91,766,539	32,467,510	4,784,479
<b>Total equity</b>		<u>93,706,533</u>	<u>33,774,214</u>	<u>5,799,372</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	10	5,069,352	6,577,620	5,260,770
Loans	15	5,484,205	4,165,095	22,883,241
Lease liabilities	15	68,495	139,356	0
<b>Total non-current liabilities</b>		<u>10,622,052</u>	<u>10,882,071</u>	<u>28,144,011</u>
<b>Current liabilities</b>				
Loans	15	0	4,896,245	1,296,000
Lease liabilities	15	210,194	639,726	0
Trade payables		9,141,603	1,293,132	1,187,793
Contract liabilities	3	5,289,150	5,745,113	400,000
Other payables		546,468	800,386	246,655
<b>Total current liabilities</b>		<u>15,187,415</u>	<u>13,374,602</u>	<u>3,130,448</u>
<b>Total liabilities</b>		<u>25,809,467</u>	<u>24,256,673</u>	<u>31,274,459</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>119,516,000</u>	<u>58,030,887</u>	<u>37,073,831</u>

## Consolidated financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Contrib- uted capi- tal	Reserve for cur- rency	Retained earnings	Total
<b>Equity at 1 January 2020</b>	1,014,893	0	4,784,479	5,799,372
Currency adjustment	0	-47,349	0	-47,349
<b>Profit for the year/total comprehensive income</b>	0	0	384,909	384,909
<b>Transactions with owners</b>				
Cash capital increase	97,428	0	10,040,854	10,138,282
Conversion of debt	241,732	0	17,257,268	17,499,000
	339,160	0	27,298,122	27,637,282
<b>Equity at 1 January 2021</b>	1,354,053	-47,349	32,467,510	33,774,214
Currency adjustment		-23,145		-23,145
<b>Profit for the year/total comprehensive income</b>	0	0	-17,851,683	-17,851,683
<b>Transactions with owners</b>				
Cash capital increase	650,746	0	73,457,738	74,108,484
Conversion of debt	5,689	0	594,311	600,000
Share-based payments	0	0	3,098,663	3,098,663
	656,435	0	77,150,712	77,807,147
<b>Equity at 31 December 2021</b>	2,010,488	-70,494	91,766,539	93,706,533

## Consolidated financial statements 1 January – 31 December

### Cash flow statement

DKK	Note	2021	2020
Profit/loss for the year		-17,851,683	384,909
Adjustments of non-cash operating items		0	0
Depreciation		1,002,654	387,663
Governmental grants		-831,192	-1,431,136
Reversal of provision		0	-400,000
Revenue, non-cash IFRS transition		322,714	919,192
Share-based payment		3,098,366	0
Net finance cost		377,829	85,940
Tax expense		-7,026,573	-590,601
Other unallocated non-cash items		-8,734,923	-5,439,392
Cash flows from operations before changes in working capital		-29,642,808	-6,083,425
<i>Change in:</i>			
Inventory		-404,082	0
Trade and other receivables		-2,784,157	-242,866
Contract liabilities		-455,963	2,652,079
Trade and other payables		7,594,553	229,025
Cash flow from operations		3,950,351	2,638,238
Interest paid		-306,076	-46,074
Income tax received		1,922,586	1,943,650
<b>Cash flows from operating activities</b>		<b>-24,075,947</b>	<b>-1,547,611</b>
Acquisition of intangible assets		-25,808,522	-6,788,148
Acquisition of plant and equipment		-4,958,065	-2,957,483
Receipt of government grant		5,567,250	10,215,425
<b>Cash flows from investing activities</b>		<b>-25,199,337</b>	<b>469,794</b>
Proceeds from capital increase		74,108,405	10,138,282
Payment of lease liabilities		-611,654	-158,147
Increase in loans from subsidiaries		0	1,465,350
<b>Cash flows from financing activities</b>		<b>73,496,751</b>	<b>11,445,485</b>
<b>Cash flows for the year</b>		<b>24,221,467</b>	<b>10,367,668</b>
Cash and cash equivalents at the beginning of the year		14,111,869	3,744,201
<b>Cash and cash equivalents at year-end</b>		<b>38,333,336</b>	<b>14,111,869</b>

## Consolidated financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The consolidated financial statements of MedTrace Pharma A/S for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements applying to reporting class B entities in the Danish Financial Statements Act.

These financial statements for the year ended 31 December 2021 are the first the Group has prepared in accordance with IFRS. Refer to note 19 for information on the effect of the Group's adoption of IFRS.

The annual report is presented in DKK.

#### Foreign currency translation

The consolidated financial statements are presented in Danish kroner (DKK).

Foreign currency transactions are translated into the functional currency defined for each company using the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. Receivables, liabilities and other items in foreign currencies, which have not been settled at the statement of financial position date, are translated at the exchange rates at the statement of financial position date.

Financial statements of foreign subsidiaries are translated into DKK at the exchange rates prevailing at the reporting date for assets and liabilities, and at average exchange rates for income statement items.

Realised and unrealised exchange rate adjustments are included in the statement of comprehensive income as financial income/expenses.

#### Consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Parent Company, MedTrace Pharma A/S, and its subsidiaries in accordance with the Group's accounting policies.

All intra-Group income, expenses, shareholdings, balances and dividends are eliminated upon consolidation.

The accounting items of subsidiaries are included in full in the consolidated financial statements.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

### Statement of comprehensive income

#### Revenue

Revenue from contracts with customers is recognised when the services is delivered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group. Services are invoiced on a monthly basis. Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties. The recognition over time follows an output method based on the amount of tests run by the individual customers on a yearly basis. Contracts with customers in general run multiple years, where the customers pay up front for 3-12 months of use.

#### Other operating income

Other operating income includes government grants received for costs incurred during the year.

#### Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognised in the income statement on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed. A grant that is a compensation for costs already incurred is recognised in profit or loss for the period in which it becomes receivable. Grants for the acquisition of assets, including costs that are capitalised as part of development projects, are recognised in the balance sheet as a deduction to the cost of the related development project.

#### Production costs

Production costs are costs incurred to generate revenue. These include depreciation on machines leased to costumers, consumables and service/maintenance costs, incl. staff costs and impairment on machines.

#### Distribution costs

Distribution costs include costs of sales, marketing and distribution, including staff costs and depreciations.

#### R&D costs

R&D costs are recognised in the income statement if they do not satisfy the criteria to be capitalised, and include staff costs and depreciations related to research and development activity.

#### Administrative costs

Administrative costs include staff costs and other external costs related to administrative purposes.

#### Financial income and expenses

Financial income and expenses are recognised in the statement of comprehensive income at the amounts relating to the reporting period, if not capitalised. Financial income and expenses include interest income and expense and realised and unrealised exchange rate gains and losses on foreign currency transactions.

## Consolidated financial statements and 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Income tax

Tax for the year comprises current corporation tax for the year in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Statement of financial position

#### Intangible assets

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses.

All intangible assets are internally developed. The cost of internally developed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowings attributable to the development project.

Research and development costs are recognised in the income statement as incurred. Development costs are recognised under other intangible assets if the costs are expected to generate future economic benefits.

Development projects under construction are tested annually for impairment.

#### Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

Tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Plant and machinery includes MedTrace Pharma A/S' P3 hardware that is installed at customer sites and remain MedTrace Pharma A/S' property throughout the contract period, which may be as long as ten years.

Depreciations are recognised on a straightline basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets.

Expected useful lives are as follows:

Plant and machinery	10 years
Fixtures and fittings, tools and equipment	3-10 years



## Consolidated financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Deposits

Deposits are measured at amortised cost and consist of rent deposits.

##### Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost less loss allowance. The Group applies the simplified approach to measure expected credit losses. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and past-due dates.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

##### Corporate tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Loans and other liabilities

Financial liabilities are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Other liabilities are measured at amortised cost.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Leases

Leases are recognised as right-of-use assets with the corresponding liability at the time the asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis. Right-of-use assets are recognised at the commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straightline basis. An assessment is made at each reporting date of whether there is any indication that a right-of-use asset may be impaired. If any such indication exists, an impairment test is carried out.

Lease liabilities comprise expected fixed payments throughout the expected lease term (including options to extend the lease when exercise is reasonably certain), less any lease incentives.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used, because the interest rate implicit in the lease is not readily determinable.

Lease costs for low value assets and short-term leases are recognised as other external costs on a straight-line basis over the lease term.

##### Cash flow

The statement of cash flows shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents, as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, payments of financial items and income taxes paid.

Cash flows from investing activities comprise payments in connection with capitalisation of development projects and acquisition of property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs, the raising of loans, as well as repayment of interest-bearing debt, including lease liabilities.

Cash and cash equivalents comprise cash at bank.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 2 Significant judgements and estimation uncertainties

In connection with the preparation of the financial statements, Management makes accounting estimates and judgements that affect the assets and liabilities reported at the reporting date as well as the income and expenses reported for the financial period. In accordance with the requirements of IFRS, Management re-assesses these estimates and judgements based on a number of factors and criteria relevant to the given circumstances.

##### *Significant judgements*

Development costs can be capitalised only when specific requirements in IFRSs are met. Development costs are capitalised only after the technical and commercial feasibility of the projects have been established, the Company has an intention to complete the project, there is an ability to use or sell the product, the Company has the technical and financial resources to complete the project, and is able to measure development costs reliably related to the development activities.

##### *Estimation uncertainties*

The carrying amount of development projects is recovered through future cash flows.

Management compares the recoverable amount of the individual development projects in progress with their carrying amounts to identify impairments, if any. In these impairment tests, Management makes assumptions about future net cash inflows. Development projects amounted to DKK 62,658 thousand at 31 December 2021 (31 December 2020: DKK 36,850 thousand).

#### 3 Revenue

The Group generates revenue from offering the P3 chemistry <sup>15</sup>O-water production and infusion system and a related analytical software platform in a bundle.

The Group has no reportable segments, as Management does not steer the Group based on a segmented internal reporting structure. All decisions are made based on consolidated figures.

In 2021 and 2020, all revenue is generated in the domicile country, Denmark.

##### **Contractual liabilities**

DKK	2021	2020
Balance at 1 January	5,745,113	400,000
Recognised as revenue during the period	-1,529,103	-480,808
Prepayments received from customers during the period/contract liabilities	1,073,140	5,825,921
Balance at 31 December	<u>5,289,150</u>	<u>5,745,113</u>

## Consolidated financial statements 1 January – 31 December

### Notes

#### 4 Staff costs

DKK	2021	2020
Wages and salaries	11,271,924	4,727,719
Contribution-based pension schemes	770,296	89,075
Other costs to social security	369,565	137,705
Share-based payment	3,098,366	0
Off staff costs, the part of this capitalised as part of development cost	-7,284,426	-4,003,512
	<u>8,225,725</u>	<u>950,987</u>
Average number of full-time employees	<u>16</u>	<u>7</u>
Production costs	349,618	0
R&D cost	3,872,110	0
Administration cost	<u>4,003,997</u>	<u>950,987</u>
	<u>8,225,725</u>	<u>950,987</u>

#### Share-based programme

To motivate Management in the growth journey for the Group, share-based payment incentive plans have been established for members of the Executive Board. Further, a warrant agreement has been entered into with a non-employee allowing the Group to work together with the business partner on obtaining clinical data. The warrants vest upon a successful fund raising and upon trial initiation for patients using the Company's services leading to the generation of relevant clinical data.

At 31 December 2021, the Group had the following share-based payment arrangements.

#### Management Incentive Programme (equity-settled)

During January 2021, the Group has granted warrants free of charge to Executive Management personnel which give the warrant holders the right to buy a number of shares in MedTrace Pharma A/S at a pre-determined price subject to successful obtainment of qualified funding. The number of granted shares varies depending on the weighted average subscription price from capital contributions made to MedTrace Pharma A/S as part of the qualified funding.

The programme is classified as equity-settled, as the warrants are pre-determined to be settled in shares.

The key terms and conditions related to vesting of the grant under this programme are as follows: Obtainment of qualified funding, meaning a liquidity contribution to MedTrace Pharma A/S in the period from 1 January 2021 – 1 July 2023, and employment by MedTrace Pharma A/S at the time of qualified funding.

Vested warrants must be exercised before 1 July 2027.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 4 Share-based programme (continued)

##### Non-employee Warrant Programme (equity-settled)

In 2021, MedTrace Pharma A/S entered into a warrant agreement with a non-employee, who is considered a critical partner.

The key terms and conditions related to vesting of the grant under this programme are as follows: The granted warrants vest in two tranches. The first tranche vests upon trial initiation with first patient dosing using the Company's services. The second tranche vests upon dosing of the twentieth patient.

Warrants not vested before or on 31 December 2022 will automatically lapse and expire.

Vested warrants must be exercised within two years after having vested.

The qualified funding criteria were met in 2021.

##### Reconciliation of outstanding equity-settled awards

##### Management Incentive Programme

The number and weighted-average exercise prices of warrants were as follows.

<i>In number of warrants</i>	Members of the Executive Board	Fair Value at Grant	Average Exercise Price
Granted during the year	27,640	112.10	0.01
Outstanding at 31 December	27,640	0	0.01
Exercisable at 31 December	27,640	0	0.01

All warrants are fully vested and exercisable at 31 December 2021.

##### Non-employee Warrant Programme

The number and weighted-average exercise prices of warrants were as follows:

<i>In number of warrants</i>	Employees	Fair Value at Grant	Average Exercise Price
Granted during the year	35,236	198.66	0.01
Outstanding at 31 December	35,236	0	0.01
Exercisable at 31 December	0	0	N/A

None of the non-employee warrants have vested at 31 December 2021.

For warrants outstanding at the end of the year, the remaining contractual life is 10 months.

## Consolidated financial statements 1 January – 31 December

### Notes

#### Measurement of grant date fair value

The grant date fair value of the awards is estimated based on historical fund raising.

The input used in the measurement of the grant date fair values of the equity-settled share-based payment plans were as follows.

	Management Incentive Programme	Non-employee Warrant Programme
Fair value at grant date	112.10	198.66
Exercise price	0.01	0.01
Expected life (weighted-average)	1	2.8
Expected dividend	0	0

DKK	2021	2020
-----	------	------

#### 5 Research and development costs

Incurring research and development costs	32,798,187	8,600,083
Capitalised interests	491,064	881,099
EU grant related to development costs	-7,480,730	-2,693,034
Added to cost of development projects in progress	<u>25,808,521</u>	<u>6,788,148</u>

#### 6 Government grants

Other income	831,193	1,413,136
Development costs	7,480,730	2,693,034
Total grants received during the year	<u>8,311,923</u>	<u>4,106,170</u>

#### 7 Depreciation and amortisation

Depreciation, tangible assets	417,375	236,583
Depreciation, right-of-use assets	585,279	151,080
Total depreciation and amortisation	<u>1,002,654</u>	<u>387,663</u>

Production costs	805,951	30,174
Administrative costs	196,703	357,489
Total depreciation and amortisation	<u>1,002,654</u>	<u>387,663</u>

#### 8 Financial income

Interest rates on financial assets measured at amortised cost		
Foreign exchange gains (net)	41,630	33,341
Total financial income	<u>41,630</u>	<u>33,341</u>

## Consolidated financial statements 1 January – 31 December

### Notes

DKK	2021	2020
<b>9 Financial expenses</b>		
Interest rates, credit institutions	314,009	46,220
Interest rates, loans	491,062	881,099
Interest rates, lease obligations	28,590	13,045
Other financial expenses	102,552	69,404
Interest capitalized	-491,062	-881,099
Total financial expenses	<u>445,151</u>	<u>128,669</u>

### 10 Income tax

#### Tax in the income statement

Tax on profit for the year is the following:

LL8x	5,500,000	1,922,586
Deferred tax	1,508,268	-1,316,850
Tax related to subsidiaries and prior year adjustment	18,305	-15,135
Tax of the profit of the year	<u>7,026,573</u>	<u>590,601</u>

#### Tax reconciliation:

	2021		2020	
	DKK	%	DKK	%
Calculated 22% tax of the profit before tax on continued activities	5,473,216	22%	45,252	22%
Tax effect of:				
Non-taxable income	0	0	0	0
Non-deductible costs otherwise	1,515,450	6%	529,926	258%
Tax adjustments related to previous years	37,907	0	15,423	7%
	<u>7,026,573</u>	<u>28%</u>	<u>590,601</u>	<u>287%</u>
Effective tax rate		<u>28%</u>		<u>287%</u>

Effective tax rate is significantly affected by the Danish LL8b 130% deduction for R&D cost and to that tax rates which are different in US and Swedish subsidiaries.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 10 Income tax (continued)

##### Deferred tax

DKK	2021	2020
Deferred tax at 1 January	6,577,620	5,260,770
Deferred tax of the year recognised in the profit/loss for the year	-1,508,268	1,316,850
Deferred tax at 31 December	<u>5,069,352</u>	<u>6,577,620</u>
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax liabilities	5,069,352	6,577,620
Deferred tax obligations	<u>0</u>	<u>0</u>
Deferred tax at 31 December, net	<u>5,069,352</u>	<u>6,577,620</u>
Deferred tax relates to:		
Intangible assets	13,740,832	8,062,956
Tangible assets	529,875	194,829
Tax losses	<u>-9,201,355</u>	<u>-1,680,165</u>
Total	<u>5,069,352</u>	<u>6,577,620</u>



## Consolidated financial statements 1 January – 31 December

### Notes

#### 11 Intangible assets

DKK	Development projects under construction (inter- nally developed)
Cost 1 January 2021	36,849,797
Additions	25,808,522
Cost 31 December 2021	62,658,319
Amortisations and depreciations 1 January 2021	0
Amortisations and depreciations 31 December 2021	0
Book value 31 December 2021	62,658,319
Cost 1 January 2020	30,061,649
Additions	6,788,148
Cost 31 December 2020	36,849,797
Amortisations and depreciations 1 January 2020	0
Amortisations and depreciations 31 December 2020	0
Book value 31 December 2020	36,849,797

The carrying amount of development projects under construction amounted to DKK 62,658 thousand (31 December 2020: DKK 36,850 thousand).

The impairment test was carried out with the activities for the entire Group as the cash-generating unit. The recoverable amount was based on value in use and estimated on input from Group Management. The test included an eight-year budget period followed by a terminal period.

Key assumptions applied in the impairment test were expected revenue, EBITDA ratio, discount rate and growth rate in the terminal period. Sensitivity tests of key assumptions were carried out. These showed revenue, EBITDA ratio, WACC and the growth rate to be the assumptions with the largest impact on value in use. In the test, a terminal growth assumption of 4% and a pre-tax discount rate of 15% were applied. The impairment test showed headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 12 Plant, machinery and equipment

DKK	Plant and machinery	Other fix- tures and fit- tings, tools and equip- ment	Total
Cost 1 January 2021	3,694,949	332,620	4,027,569
Additions	3,246,102	1,711,964	4,958,066
Cost 31 December 2021	6,941,051	2,044,584	8,985,635
Depreciation and amortisation 1 January 2021	-253,532	-70,419	-323,951
Depreciations	-174,957	-242,418	-417,375
Depreciation and amortisation 31 December 2021	-428,489	-312,837	-741,326
Book value 31 December 2021	6,512,562	1,731,747	-732,278
Cost 1 January 2020	1,024,140	45,945	1,070,085
Additions	2,670,809	286,675	2,957,484
Cost 31 December 2020	3,694,949	332,620	4,027,569
Depreciation and amortisation 1 January 2020	-51,207	-36,161	--87,368
Depreciations	-202,325	-34,258	--236,583
Disposal	0	0	0
Depreciation and amortisation 31 December 2020	--253,532	--70,419	-323,951
Book value 31 December 2020	3,441,417	262,201	3,703,618

## Consolidated financial statements 1 January – 31 December

### Notes

#### 13 Right-of-use assets

DKK	Rental equipment	Fixtures and fittings, tools and equipment	Total
Book value at 1 January 2021	707,071	66,034	773,105
Additions	3,076	79,595	82,671
Depreciation	-555,737	-29,542	-585,279
Book value 31 December 2021	<u>154,410</u>	<u>116,087</u>	<u>270,497</u>
Book value at 1 January 2020	0	0	0
Additions	847,500	76,685	924,185
Depreciation	-140,429	-10,651	-151,080
Book value 31 December 2020	<u>707,071</u>	<u>66,034</u>	<u>773,105</u>

#### Lease obligations

##### Maturity analysis

DKK	2021	2020
<1 year	160,276	614,128
1-2 years	33,000	160,276
2-4 years	37,800	51,900
4> years	12,600	31,500
Total undiscounted lease payments	<u>243,676</u>	<u>857,804</u>
Lease obligations recognised in balance	<u>278,689</u>	<u>779,082</u>
Current	<u>210,194</u>	<u>639,726</u>
Non-current	<u>68,495</u>	<u>139,356</u>

##### Amounts recognised in the income statement

Interest expenses related to lease obligations	<u>28,590</u>	<u>13,045</u>
Costs related to short-term leases	<u>153,688</u>	<u>14,104</u>

Leases comprise office buildings and other office equipment.

After the balance sheet date, the Company has entered into a new lease agreement for an office facility in Hørsholm. The commencement date is 1 February 2022.

## Consolidated financial statements 1 January – 31 December

### Notes

#### 14 Equity

The Company continuously assesses the need to adjust the capital structure. Equity's share of total assets was 76.9% at the end of 2021 (2020: 57.5%). The long-term minimum target for the solvency ratio is 20%. Until such solvency is achieved, no dividends will be distributed.

#### Contributed capital, shares issued

The share capital of the Company is nom. DKK 2,010,487,41 divided into shares of DKK 0.01. The share capital is divided into nom. DKK 569,391.08 class A-shares, nom. DKK 784,661.48 class B-shares, and nom. DKK 656,434.85 class D-shares.

	Number of shares		Nominal value DKK	
	2021	2020	2021	2020
1 January	135,405,256	101,489,300	1,354,052.56	1,014,893.00
31 December, fully paid	201,048,041	135,405,256	2,010,487.41	1,354,052.56

C-shares have the same rights and privileges as B-shares with the exception (a) that they have the anti-dilution protection in section 6 instead of section 7 and (b) that they convert 1:1 to B-shares (including having anti-dilution under section 7) in connection with the first capital increase of more than DKK 500,000 at a price per share of more than DKK 104.06 (as adjusted for any change of nominal values of shares, e.g. share splits and similar events).

#### 15 Liabilities from financing activities

DKK	Lease liabilities	Loans	Total
1 January 2021	779,082	9,061,340	9,840,422
Financing cash flows	-583,063	0	-583,063
Accrued interests	0	491,064	491,064
Conversion of debt	0	-4,068,199	-4,068,199
Commencement of new leases	82,670	0	82,670
<b>31 December 2021</b>	<b>278,689</b>	<b>5,484,205</b>	<b>5,762,894</b>
1 January 2020	0	24,179,241	24,179,241
Financing cash flows	-145,103	1,465,305	1,320,202
Accrued interests	0	915,794	915,794
Conversion of debt	0	-17,499,000	-17,499,000
Commencement of new leases	924,185	0	924,185
<b>31 December 2020</b>	<b>779,082</b>	<b>9,061,340</b>	<b>9,840,422</b>

## Consolidated financial statements 1 January – 31 December

### Notes

#### 16 Financial risks and financial instruments

##### Risk Management Policies of the Group

Due to the activities of the Group, the Group is only exposed to financial risks to a very limited degree as at 31 December 2021.

Financial liabilities consist of mainly trade payables, loans and lease liabilities. The main purpose of the financial liabilities are to finance the operation, including the research and development activities.

Financial assets consist of deposits related to leased premises and cash at banks.

The Group holds no derivatives at 31 December 2021 (31 December 2020: none).

The Group has no significant transactions in foreign currencies but, as the Group expects to grow its activities in USA, it is expected that the Group will become more exposed to fluctuations between the Group's functional currency, DKK, and USD in the future.

##### Interest rate risk

**The Group** has limited interest rate exposure.

##### Credit risk

The Group seeks to limit its credit risk by ensuring that all customers pay before the service is delivered. As the Group has no financial receivables other than deposits for rented premises, the credit risk is very limited. Prepayments from customers are recognised in the balance sheet under contractual liabilities.

##### Liquidity risk

The liquidity reserve consists of cash at banks and loan commitments. The Group seeks to ensure an appropriate liquidity reserve to be able to manage unforeseen volatility in liquidity.

##### Maturity analysis

	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 years	Maturity between 3 and 5 years	Maturity after 5 years
DKK					
Trade payables	1,293,132	1,293,132	0	0	0
Loans	11,391,227	5,387,307	912,572	5,091,348	0
31 December 2020	<u>12,684,359</u>	<u>6,680,439</u>	<u>912,572</u>	<u>5,091,348</u>	<u>0</u>
DKK					
Trade payables	9,141,603	9,141,603	0	0	0
Loans	7,323,028	438,736	985,577	5,898,715	0
31 December 2021	<u>16,464,631</u>	<u>9,580,339</u>	<u>985,577</u>	<u>5,898,715</u>	<u>0</u>

## Consolidated financial statements 1 January – 31 December

### Notes

#### 16 Financial risks and financial instruments (continued)

##### Financial instruments by category

DKK	Note	2021	2020	2020 (1 Jan)
<i>Carried at amortised cost</i>				
Deposits		767,571	116,183	30,750
Cash at banks		38,333,336	14,111,869	3,744,201
Financial assets at amortised cost		39,100,907	14,228,052	3,774,951
Loans		5,484,205	9,061,340	24,179,241
Lease liabilities		278,689	779,082	0
Trade payables		9,141,603	1,293,132	1,187,793
Financial liabilities at amortised cost		14,904,497	11,133,554	25,367,034

The fair value is approximately equal to the carrying amount of all financial assets and liabilities.

#### 17 Contingent liabilities

##### Securities

The Company has only minor contingent liabilities.

#### 18 Related parties

MedTrace Pharma A/S' related parties comprise key management personnel and their close family members, entities controlled by these persons and MedTrace Pharma's subsidiaries.

No other parties exercise control or significant influence over MedTrace Pharma A/S.

The following entities are controlled by key management personnel:

Wasabi-Link Holding ApS, Kløvereng 8, 2950 Vedbæk  
Wiik Invest ApS, Bogøvej 15, 8382 Hinnerup

##### Transactions

Transactions with related parties are listed below:

DKK'000	Group	
	2021	2020
Purchase of services from MedTrace Inc (USA)	1,071,530	1,130,134
Purchase of services from MedTrace AB (Sweden)	933,930	114,402
Remuneration of Management, Board and related staff	3,564,000	2,500,000

## Consolidated financial statements 1 January – 31 December

### Notes

#### 19 First-time adoptions of IFRS

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2020, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2020 and the financial statements as of and for the year ended 31 December 2020.

#### Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. MedTrace Pharma A/S has used the following exemptions:

- Chosen not to adopt IFRS 2 for previously concluded share-based payment schemes.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.
- Translation reserve related to foreign operations = 0 at 1 January 2020.

#### Effect of first-time adoptions of IFRS

DKK	Equity 1 January 2020	Profit and loss/total comprehensive income	Equity 31 December 2020
Previous GAAP (Danish Financial Statements Act)	5,799,372	28,881,620	34,680,992
Corrections regarding government grants	0	-1,022,225	-1,022,225
Revenue – IFRS 15	0	-919,192	-919,192
Cap of interest	0	881,099	881,099
Tax	0	207,932	207,932
Error identified	0	-54,392	-54,392
Total changes	0	-906,778	-906,778
IFRS	5,799,372	27,974,842	33,774,214

## Consolidated financial statements 1 January – 31 December

### Notes

#### 19 First-time adoptions of IFRS (continued)

##### Leases

Under Local GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straightline basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Group has no leases. A number of leases were entered into during 2020 that were all previously classified as operating leases.

Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As of 31 December 2020, the Group recognised an increase of DKK 779,082 (1 January 2020: DKK 0) in lease liabilities and of DKK 773,105 (1 January 2020: DKK 0) in right-of-use assets. The difference between lease liabilities and right-of-use assets of DKK 5,977 reflects the increase in total costs from depreciations of right-of-use assets and interest rates compared to the lease expenses recognised in the previous GAAP.

##### Reclassifications

In addition to the changes to accounting policies, the transition to IFRS has resulted in some reclassifications as well changing the presentation:

- Assets are presented as current or non-current
- Deferred tax assets or liabilities are presented as non-current.

##### Cash flow statement

The Company has not prepared cash flow statements under the Danish Financial Statements Act in previous years. Consequently, the cash flow statements presented under IFRS are the first cash flow statements presented by the Company.



## Consolidated financial statements 1 January – 31 December

### Notes

#### **20 Events after the balance sheet date**

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

After the balance sheet date, the Company has entered into a new lease agreement for an office facility in Hørsholm.

#### **21 New accounting regulation**

At the date of the presentation of this annual report, a number of new or amended standards and interpretations exist that have not yet become effective and therefore are not applied when preparing the financial statements for 2021.

The new standards and interpretations will be implemented as they become mandatory.

It is Management's assessment that none of these will significantly affect the Company's financial statements.

## Parent company financial statements 1 January – 31 December

### Statement of comprehensive income

DKK	Note	2021	2020
Revenue	3	1,529,103	480,808
Production costs	4	-1,155,569	-387,663
<b>Gross result</b>		373,534	93,145
Distribution costs		-1,319,844	-27,157
R&D costs	4	-11,638,409	-603,071
Administrative costs	4	-12,809,602	-1,125,360
Other income		831,193	1,413,136
<b>Operating profit before financial items (EBIT)</b>		-24,563,128	-249,307
Financial income	8	41,630	33,341
Financial expenses	9	-445,857	-128,625
<b>Profit/loss before tax</b>		-24,967,355	-344,591
Tax	10	7,007,868	605,736
<b>Profit for the year/total comprehensive income</b>		<u>-17,959,487</u>	<u>261,145</u>
<b>Attributable to</b>			
Transfer to reserves for development projects		20,130,647	5,294,756
Distributed to retained earnings		-38,090,435	-5,033,611
<b>Profit for the year/total comprehensive income</b>		<u>-17,959,487</u>	<u>261,145</u>

## Parent company financial statements 1 January – 31 December

### Statement of financial position

DKK	Note	2021	2020	2020 (1 Jan)
<b>ASSETS</b>				
<b>Non-current</b>				
<b>Intangible assets</b>				
Development projects in progress	12	62,658,319	36,849,797	30,061,649
		<u>62,658,319</u>	<u>36,849,797</u>	<u>30,061,649</u>
<b>Property, plant and equipment</b>				
Plant and machinery	13	6,512,562	3,441,417	972,933
Fixtures and fittings, tools and equipment	13	1,731,747	262,201	9,785
Right-of-use assets	14	270,497	773,105	0
		<u>8,514,806</u>	<u>4,476,723</u>	<u>982,718</u>
<b>Financial assets</b>				
Investments in subsidiaries		35,305	35,965	35,965
Deposits		767,571	116,183	30,750
		<u>802,876</u>	<u>152,148</u>	<u>66,715</u>
<b>Total non-current assets</b>		<u>71,976,001</u>	<u>41,478,668</u>	<u>31,111,082</u>
<b>Current assets</b>				
<b>Receivables</b>				
Inventories		404,082	0	0
Receivables from subsidiaries		213,330	32,637	62,387
Other receivables		3,337,885	553,728	306,779
Corporate tax	10	5,500,000	1,922,586	1,943,650
		<u>9,455,297</u>	<u>2,508,951</u>	<u>2,312,816</u>
<b>Cash at bank and in hand</b>		<u>38,211,618</u>	<u>14,014,537</u>	<u>3,584,816</u>
<b>Total current assets</b>		<u>47,666,915</u>	<u>16,523,488</u>	<u>5,897,632</u>
<b>TOTAL ASSETS</b>		<u><u>119,642,916</u></u>	<u><u>58,002,156</u></u>	<u><u>37,008,714</u></u>

## Parent company financial statements 1 January – 31 December

### Statement of financial position

DKK	Note	2021	2020	2020 (1 Jan)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	15			
Contributed capital		2,010,488	1,354,053	1,014,893
Reserve for development costs		48,873,489	28,742,842	23,448,086
Retained earnings		42,597,168	3,536,590	-18,727,921
<b>Total equity</b>		<u>93,481,145</u>	<u>33,633,485</u>	<u>5,735,058</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	10	5,069,352	6,577,620	5,260,770
Loans	16	5,484,205	4,165,095	0
Lease liabilities	16	68,495	139,356	0
<b>Total non-current liabilities</b>		<u>10,622,052</u>	<u>10,882,071</u>	<u>5,260,770</u>
<b>Current liabilities</b>				
Loans	16	0	4,896,245	24,179,241
Lease liabilities	16	210,194	639,726	0
Trade payables		9,134,794	1,287,225	1,185,968
Payables to group entities		118,578	117,186	0
Contract liabilities		5,289,150	5,745,113	400,000
Other payables		787,003	801,105	247,677
<b>Total current liabilities</b>		<u>15,539,719</u>	<u>13,486,600</u>	<u>26,012,886</u>
<b>Total liabilities</b>		<u>26,161,771</u>	<u>24,368,671</u>	<u>31,273,656</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>119,642,916</u>	<u>58,002,156</u>	<u>37,008,714</u>

## Parent company financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Contributed capital	Reserve for development costs	Retained earnings	Total
<b>Equity at 1 January 2020</b>	1,014,893	23,292,086	-18,571,921	5,735,058
Changes in accounting policies	0	156,000	-156,000	0
<b>Restated balance at 1 January 2020</b>	1,014,893	23,448,086	-18,727,921	5,735,058
<b>Profit for the year/total comprehensive income</b>	0	5,294,756	-5,033,611	261,145
<b>Transactions with owners</b>				
Cash capital increase	97,428	0	10,040,854	10,138,282
Conversion of debt	241,732	0	17,257,268	17,499,000
	339,160	0	27,298,124	27,637,284
<b>Equity at 1 January 2021</b>	1,354,053	28,742,842	3,536,590	33,633,485
<b>Profit for the year/total comprehensive income</b>	0	20,130,647	-38,090,134	-17,959,788
<b>Transactions with owners</b>				
Cash capital increase	650,746	0	73,457,738	74,108,484
Conversion of debt	5,689	0	594,311	600,000
Share based payments	0	0	3,098,663	3,098,663
	656,435	0	77,150,712	77,807,147
<b>Equity at 31 December 2021</b>	2,010,488	48,873,489	42,597,168	93,481,145

## Parent company financial statements 1 January – 31 December

### Cash flow statement

DKK	2021	2020
Profit/loss for the year	-17,959,487	261,145
Adjustments of non-cash operating items	0	0
Depreciation	1,002,654	387,663
Governmental grants	-831,192	-1,431,136
Reversal of provision	0	-400,000
Revenue, non-cash IFRS transition	322,714	919,192
Share-based payment	3,098,366	0
Net finance cost	377,829	85,940
Tax expense	-7,007,868	-605,736
Other unallocated non-cash items	-8,670,210	-5,238,440
Cash flows from operations before changes in working capital	-29,667,194	-6,021,372
<i>Change in:</i>		
Inventory	-404,082	0
Trade and other receivables	-2,784,157	-242,866
Contract liabilities	-455,963	2,652,079
Trade and other payables	7,594,553	229,025
Cash flow from operations	3,950,351	2,638,238
Interest paid	-306,076	-46,074
Income tax received	1,922,586	1,943,650
<b>Cash flows from operating activities</b>	<b>-24,100,333</b>	<b>-1,485,558</b>
Acquisition of intangible assets	-25,808,522	-6,788,148
Acquisition of plant and equipment	-4,958,065	-2,957,483
Receipt of government grant	5,567,250	10,215,425
<b>Cash flows from investing activities</b>	<b>-25,199,337</b>	<b>469,794</b>
Proceeds from capital increase	74,108,405	10,138,282
Payment of lease liabilities	-611,654	-158,147
Increase in loans from subsidiaries	0	1,465,350
<b>Cash flows from financing activities</b>	<b>73,496,751</b>	<b>11,445,485</b>
<b>Cash flows for the year</b>	<b>24,197,081</b>	<b>10,429,721</b>
Cash and cash equivalents at the beginning of the year	14,014,537	3,584,816
<b>Cash and cash equivalents at year-end</b>	<b>38,211,618</b>	<b>14,014,537</b>

## Parent company financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The financial statements of MedTrace Pharma A/S for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements applying to reporting class B entities in the Danish Financial Statements Act.

These financial statements for the year ended 31 December 2021 are the first the Company has prepared in accordance with IFRS. Refer to note 19 for information on the effect of the Company's adoption of IFRS.

Accounting policies are identical to the accounting policies for the Group with the following exemptions:

#### Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is written down to this lower amount.

#### Equity

##### *Reserve for development costs*

The reserve for development costs relates to capitalised development costs and is calculated on an after-tax basis. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways disposed from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. The reserve is reduced by amortisation or write-down of capitalised development costs. If a write-down of development costs is subsequently reversed, the reserve will be re-established.

#### 2 Significant accounting estimates and judgements

In connection with the preparation of the financial statements, Management makes accounting estimates and judgements that affect the assets and liabilities reported at the reporting date as well as the income and expenses reported for the financial period. In accordance with the requirements of IFRS, Management reassesses these estimates and judgements based on a number of factors and criteria relevant to the given circumstances.

For development costs, see note 2 to the consolidated financial statements.

##### *Investments in subsidiaries*

Investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. Management analyses whether indicators of impairment occur. As the subsidiaries are linked closely to the activity of the Parent Company, no separate indicators of the Parent Company have been identified.

## Parent company financial statements 1 January – 31 December

### Notes

#### 3 Revenue

Revenue recognised in the Company in 2021 and 2020 is identical to the revenue recognised in the Group as no revenue is generated in the subsidiaries. Refer to note 3 in the consolidated financial statements.

#### 4 Staff costs

DKK	2021	2020
Wages and salaries	9,992,168	4,003,817
Contribution-based pension schemes	760,594	79,075
Other costs to social security	106,694	43,798
Share-based payment	3,098,366	0
Off staff costs, the part of this capitalised as part of development cost	-5,732,097	-3,175,703
Total staff costs	<u>8,225,725</u>	<u>3,175,703</u>
Average number of full-time employees	<u>13</u>	<u>5</u>
Production costs	349,618	0
R&D costs	3,872,110	0
Administrative costs	<u>4,003,997</u>	<u>950,987</u>
Total staff costs	<u>8,225,725</u>	<u>950,987</u>

#### Share-based programme

Share-based payment programs recognised in the Company in 2021 and 2020 are identical to the programmes in the Group. Refer to note 4 in the consolidated financial statements.



## Parent company financial statements 1 January – 31 December

### Notes

	2021	2020
DKK		
<b>5 Research and development costs</b>		
Incurred research and development costs	33,289,251	9,481,182
Capitalised interests	491,064	881,099
EU grant related to development costs	-7,480,730	-2,693,034
Total	<u>26,299,585</u>	<u>7,669,247</u>
<b>6 Government Grants</b>		
Other income	831,193	1,413,136
Development costs	7,480,730	2,693,034
Total	<u>8,311,923</u>	<u>4,106,170</u>
<b>7 Depreciation and amortisation</b>		
Depreciation, tangible assets	417,375	236,583
Depreciation, right-of-use assets	585,279	151,080
Total depreciation and amortisation	<u>1,002,654</u>	<u>387,663</u>
Production costs	805,951	30,174
Administrative costs	196,703	357,489
Total depreciation and amortisation	<u>1,002,654</u>	<u>387,663</u>
<b>8 Financial income</b>		
Interest rates on financial assets measured at amortised cost		
Foreign exchange gains (net)	41,630	33,341
Total financial income	<u>41,630</u>	<u>33,341</u>
<b>9 Financial expenses</b>		
Interest rates, credit institutions	314,009	46,220
Interest rates, loans	491,062	881,099
Interest rates, lease obligations	28,590	13,045
Other financial expenses	103,258	69,360
Interest capitalized	-491,062	-881,099
Total financial expenses	<u>445,857</u>	<u>128,625</u>

## Parent company financial statements 1 January – 31 December

### Notes

#### 10 Income tax

##### Tax in the income statement

DKK	<u>2021</u>	<u>2020</u>
Tax on profit for the year is the following:		
Current tax	5,500,000	1,922,586
Deferred tax	1,508,268	-1,316,850
Tax adjustments related to previous years	<u>-400</u>	<u>0</u>
Tax of the profit of the year	<u>7,007,868</u>	<u>605,736</u>

##### Tax on continued activities explained:

DKK	<u>2021</u>		<u>2020</u>	
	<u>DKK</u>	<u>%</u>	<u>DKK</u>	<u>%</u>
Calculated 22% tax of the profit before tax on continued activities	5,492,818	22%	75,810	22%
Tax effect of:				
Non-taxable income	0	0	0	0
Non-deductible costs otherwise	1,515,450	6%	529,926	154%
Tax adjustments related to previous years	<u>-400</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>7,007,868</u>	<u>28%</u>	<u>605,736</u>	<u>176%</u>
Effective tax rate		<u>28%</u>		<u>176%</u>

## Parent company financial statements 1 January – 31 December

### Notes

#### 10 Income tax (continued)

##### Deferred tax

DKK	2021	2020
Deferred tax at 1 January	6,577,620	5,260,770
Foreign exchange adjustment	0	0
Deferred tax of the year recognised in the profit/loss for the year	-1,508,268	1,316,850
Deferred tax at 31 December	<u>5,069,352</u>	<u>6,577,620</u>
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax liabilities	5,069,352	6,577,620
Deferred tax obligations	0	0
Deferred tax at 31 December, net	<u>5,069,352</u>	<u>6,577,620</u>
Deferred tax relates to:		
Intangible assets	13,740,832	8,062,956
Tangible assets	529,875	194,829
Tax losses	-9,201,355	-1,680,165
Total	<u>5,069,352</u>	<u>6,577,620</u>

## Parent company financial statements 1 January – 31 December

### Notes

#### 11 Equity investments in subsidiaries

At 31 December 2021, investments in subsidiaries amounted to DKK 35,305 (31 December 2020: DKK 35,965). There were no acquisitions or disposals in 2021 (2020: none).

Name	Domicile	Ownership 2021	Ownership 2020
Medtrace AB	Sweden	100%	100%
MedTrace Pharma Inc	USA	100%	100%

#### 12 Intangible assets

Intangible assets recognised at 31 December 2021 in the Company amounts to DKK 62,658 thousand (31 December 2020: DKK 36,850 thousand) and constitutes the full population of the Group. See note 11 to the consolidated financial statements.

#### 13 Plant, machinery and equipment

Plant, machinery and equipment recognised at 31 December 2021 in the Company amounts to DKK 8,244 thousand (31 December 2020: DKK 3,704 thousand) and constitutes the full population of the Group. See note 12 to the Consolidated financial statements.

#### 14 Right-of-use assets

DKK	Rental equipment	Fixtures and fittings, tools and equipment	Total
Book value at 1 January 2021	707,071	66,034	773,105
Additions, net	3,076	79,595	82,671
Depreciation	-555,737	-29,542	-585,279
Book value 31 December 2021	154,410	116,087	270,497
Book value at 1 January 2020	0	0	0
Additions, net	847,500	76,685	924,185
Depreciation	-140,429	-10,651	-151,080
Book value 31 December 2020	707,071	66,034	773,105

## Parent company financial statements 1 January – 31 December

### Notes

#### 14 Right-of-use assets (continued)

##### Lease obligations

##### Maturity analysis

DKK	2021	2020
<1 year	160,276	614,128
1-2 years	33,000	160,276
2-4 years	37,800	51,900
4> years	12,600	31,500
Total undiscounted lease payments	<u>243,676</u>	<u>857,804</u>
Lease obligations recognised in balance	<u>278,689</u>	<u>779,082</u>
Current	<u>210,194</u>	<u>639,726</u>
Non-current	<u>68,495</u>	<u>139,356</u>

##### Amounts recognised in the income statement

DKK	2021	2020
Interest expenses related to lease obligations	<u>28,590</u>	<u>13,045</u>
Costs related to short-term leases	<u>153,688</u>	<u>14,104</u>

Leases comprise office buildings and other office equipment. Maturity analysis includes new office building with commencement date 1 February 2022.

## Parent Company financial statements 1 January – 31 December

### Notes

#### 15 Equity

The Company continuously assesses the need to adjust the capital structure. Equity's share of total assets was 76.9% at the end of 2021 (2020: 57.5%). The long-term minimum target for the solvency ratio is 20%.

#### Contributed capital, assets issued

The share capital of the Company is nom. DKK 2,010,487,41 divided into shares of DKK 0.01. The share capital is divided into nom. DKK 569,391.08 class A-shares, nom. DKK 784,661.48 class B-shares, and nom. DKK 656,434.85 class D-shares.

	Number of shares		Nominal value DKK	
	2021	2020	2021	2020
1 January	135,405,256	101,489,300	1,354,052.56	1,014,893.00
31 December, fully paid	201,048,041	135,405,256	2,010,487.41	1,354,052.56

C-shares have the same rights and privileges as B-shares, with the exception (a) that they have the anti-dilution protection in section 6 instead of section 7 and (b) that they convert 1:1 to B-shares (including having anti-dilution under section 7) in connection with the first capital increase of more than DKK 500,000 at a price per share of more than DKK 104.06 (as adjusted for any change of nominal values of shares, e.g. share splits and similar events).

#### 16 Liabilities from financing activities

DKK	Lease liabilities	Loans	Total
1 January 2021	779,082	9,061,340	9,840,422
Financing cash flows	-583,063	0	-583,063
Accrued interests	0	491,064	491,064
Conversion of debt	0	-4,068,199	-4,068,199
Commencement of new leases	82,670	0	82,670
<b>31 December 2021</b>	<b>278,689</b>	<b>5,484,205</b>	<b>5,762,894</b>
1 January 2020	0	24,179,241	24,179,241
Financing cash flows	-145,103	1,465,305	1,320,202
Accrued interests	0	915,794	915,794
Conversion of debt	0	-17,499,000	-17,499,000
Commencement of new leases	924,185	0	924,185
<b>31 December 2020</b>	<b>779,082</b>	<b>9,061,340</b>	<b>9,840,422</b>

## Parent Company financial statements 1 January – 31 December

### Notes

#### 17 Financial instruments

##### Financial instruments by category

DKK	Note	2021	2020	2020 (1 Jan)
<i>Carried at amortised cost</i>				
Deposits		767,571	116,183	30,750
Other receivables		3,337,885	553,728	306,779
Cash at banks		38,211,618	14,014,537	3,584,816
Financial assets at amortised cost		42,317,074	14,684,448	3,922,345
Loans		5,484,205	9,061,340	24,179,241
Lease liabilities		278,689	779,082	0
Trade payables		9,134,794	1,287,225	1,185,968
Financial liabilities at amortised cost		14,897,688	11,127,647	25,365,209

The fair value is approximately equal to the carrying amount of all financial assets and liabilities.

See note 16 to the consolidated financial statements for a description of the Group's management of financial risks.

#### 18 Contingent liabilities

##### Securities

The Company has minor contingent liabilities as mentioned under the lease disclosure note.

#### 19 Related parties

MedTrace A/S' related parties comprise key management personnel and their close family members, entities controlled by these persons and MedTrace Pharma's subsidiaries.

No other parties exercise control or significant influence over MedTrace Pharma A/S.

The following entities are controlled by key management personnel:

Wasabi-Link Holding ApS, Kløvereng 8, 2950 Vedbæk  
Wiik Invest ApS, Bogøvej 15, 8382 Hinnerup

##### Transactions

Transactions with related parties are listed below:

DKK	Group	
	2021	2020
Purchase of services from Medtrace Inc (USA)	1,071,530	1,130,134
Purchase of services from Medtrace AB (Sweden)	933,930	114,402
Remuneration of Management, board and related staff	3,564,000	2,500,000

## Parent company financial statements 1 January – 31 December

### Notes

#### 20 First-time adoptions of IFRS

- IFRS 2 for previously concluded share-based payment schemes.
- Not recognised leases for which the lease term ends within 12 months from the date of transition.

#### Effect of first-time adoptions of IFRS

DKK	Equity 1 Jan- uary 2020	Profit and loss/total comprehen- sive income	Equity 31 December 2020
Previous GAAP (Danish Financial Statements Act)	5,735,058	28,881,620	34,616,678
Correction regarding government grants	0	-1,022,225	-1,022,225
Revenue – IFRS 15	0	-919,192	-919,192
Cap of interest	0	881,099	881,099
Tax	0	223,067	223,067
Error identified under previous	0	-145,940	-145,942
Total changes	0	-983,191	-983,193
IFRS	5,735,058	27,898,429	33,633,485

#### Leases

Under Local GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the income statement on a straightline basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Company has no leases. A number of leases were entered into during 2020 that were all previously classified as operating leases.

Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As of 31 December 2020, the Company recognised an increase of DKK 779,082 (1 January 2020: DKK 0) in lease liabilities and of DKK 773,105 (1 January 2020: DKK 0) in right-of-use assets. The difference between lease liabilities and right-of-use assets of DKK 5,977 reflects the increase in total costs from depreciations of right-of-use assets and interests rates compared to the lease expenses recognised in the previous GAAP.



## Parent company financial statements 1 January – 31 December

### Notes

#### 20 First-time adoptions of IFRS (continued)

##### Reclassifications

In addition to the changes to accounting policies the transition to IFRS has resulted in some reclassifications as well changing the presentation:

- Assets are presented as current or non-current
- Deferred tax assets or liabilities are presented as non-current.

##### Cash flow statement

The Company has not prepared cash flow statements under the Danish Financial Statements Act in previous years. Consequently, the cash flow statements presented under IFRS are the first cash flow statements presented by the Company.

#### 21 Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the financial statements of MedTrace Pharma A/S.

#### 22 New accounting regulation

At the date of the presentation of this annual report, a number of new or amended standards and interpretations exist that have not yet become effective and therefore are not applied when preparing the financial statements for 2021.

The new standards and interpretations will be implemented as they become mandatory.

It is Management's assessment that none of these will significantly affect the Company's financial statements.