

Tetra Pharm Technologies ApS

Søndre Jernbanevej 11, 3400 Hillerød

CVR no. 40 73 82 23

Annual report 2023

Approved at the Company's annual general meeting on 2 July 2024

Chair of the meeting:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Tetra Pharm Technologies ApS for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 2 July 2024
Executive Board:



Martin Stefan Rose



Jesper Breum Kanchanarat

Board of Directors:



Søren Rose
Chairman



Martin Stefan Rose



Jesper Breum Kanchanarat



Lars Frøvang Thomsen



Nikolay Tretiyakov

Independent auditor's report

To the shareholders of Tetra Pharm Technologies ApS

Opinion

We have audited the financial statements of Tetra Pharm Technologies ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 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 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Statement on the Management'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.

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.

Copenhagen, 2 July 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant
mne33234



Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

Management's review

Company details

Name	Tetra Pharm Technologies ApS
Address, Postal code, City	Søndre Jernbanevej 11, 3400 Hillerød
CVR no.	40 73 82 23
Established	26 August 2019
Registered office	Hillerød Kommune
Financial year	1 January - 31 December
Board of Directors	Søren Rose, Chairman Martin Stefan Rose Jesper Breum Kanchararat Lars Frøvang Thomsen Nikolay Tretiyakov
Executive Board	Martin Stefan Rose Jesper Breum Kanchararat
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

Tetra Pharm Technologies ApS ('Tetra Pharm Technologies') is a Danish biopharmaceutical company with a vision to become a leader in research and development of pharmaceutical drugs for the treatment of diseases related to the endocannabinoid system. The endocannabinoid system is a complex cell signaling system that plays a critical role in maintaining homeostasis (i.e., a state of balance) by regulating and controlling several of the most critical body functions, such as learning and memory, mood, sleep, temperature, pain, immune response and appetite.

Tetra Pharm Technologies' research and development activities focus on identifying and evaluating therapeutic options within the endocannabinoid system. This includes basic research into understanding the complexity of the system as well as developing drug candidates tailored to target specific cannabinoid receptors in the human body.

Alongside the company's research and development activities, Tetra Pharm Technologies has a commercial track that includes production and sales of pharmaceutical drugs based on cannabinoids targeting the endocannabinoid system. The purpose of the commercial track is to contribute financially to strengthening the company's long-term research and development activities.

Highlights in 2023

Tetra Pharm Technologies' research and development activities resulted in a significant expansion of the company's pipeline of drug candidates in 2023, which now counts a total of 11 candidates. In addition, Tetra Pharm Technologies submitted a patent application covering the company's platform technology to the European Patent Organization during the year.

The leading drug candidate, TPT0301, underwent preclinical trials - so-called in-vitro and in-vivo tests - during the year. Based on very promising results of the tests, the company plans to begin clinical trials in humans with TPT0301 during 2024.

Strategic partnerships form a fundamental part of Tetra Pharm Technologies' long-term strategy. In 2023, the company strengthened its scientific collaboration with a number of external parties, including the University of Copenhagen, i.a. with the publication of a joint scientific, peer-reviewed article.

Within the commercial track, in 2023 Tetra Pharm Technologies launched its first product, XATEPA®, on the German market. XATEPA® is a prescription based pain-relieving drug based on cannabinoids.

Internally, Tetra Pharm Technologies strengthened its executive management with the appointment of a Chief Financial Officer, a Chief Marketing Officer, a Chief Medical Officer and a Chief Development Officer. In addition, the company employed a number of other key employees, so that the total number of employees increased from 11 to 31 during 2023.

During the year, Tetra Pharm Technologies inaugurated its new purpose-built headquarters, which covers approximately 4,000 square meters. The modern headquarters will provide the foundation for the company's ambitious research and development activities and support the company's long-term growth plans by ensuring a significant expansion of the production capacity.

Long-term objectives

The primary objectives for the coming years are to advance a number of the company's drug candidates into preclinical and clinical trials as well as ensuring continued development and protection of the company's intellectual rights.

In addition, Tetra Pharm Technologies expects to initiate an international expansion of its research and development activities and to expand the production and sale of the company's commercial drugs in a number of European and overseas markets.

As a basis for these long-term objectives, Tetra Pharm Technologies aims to significantly strengthen its financial base within the next 12-18 months.

Management's review

Change in accounting policies

The Company's management has changed the presentation of the income statement by nature to by function. The reason for the change is that the functional income statement is better suited to the Company's activity and industry.

The comparative figures are adapted to the changed accounting principles. The change does not have any effect in terms of profit before tax, the balance sheet and equity. Research and development expenses and general and administrative expenses are presented under individual lines in the income statement going forward.

Apart from the above, accounting principles remain unchanged from prior year.

Accounting for prior period material misstatements

In 2023, the Company identified material misstatements ascertaining to prior financial years that have been corrected as material misstatements by restating comparatives and opening equity figures at 1 January 2022 and 1 January 2023 in the current year financial statements. The corrected misstatements relate to: A - expensing of research and development expenses, B - write down of inventories, C - capitalization of deferred tax assets, D - understated expenses, E - recognition of capital injection, F - application and recognition of eligible tax credits and G - deferred tax liabilities related to capitalized development projects.

The restatements impacted the comparatives and opening equity as follows:

- ▶ Shareholder's equity at 1 January 2022 has decreased by DKK 4,184 thousand
- ▶ Loss for the year 2022, before and after tax, has increased by DKK 10,005 thousand and DKK 11,796 respectively
- ▶ Income tax benefit for the year 2022 has decreased by DKK 1,791 thousand and deferred tax liabilities related to capitalized development projects for the year 2022 have decreased by DKK 1,091 thousand
- ▶ Shareholder's equity at 1 January 2023 has decreased by DKK 14,889 thousand
- ▶ Total assets at 31 December 2022 has decreased by DKK 16,552 thousand
- ▶ Total liabilities at 31 December 2022 has decreased by DKK 1,663 thousand

Financial review

The income statement for 2023 shows a loss of DKK 32,946,869 against a loss of DKK 19,564,176 last year, and the balance sheet at 31 December 2023 shows equity of DKK 32,087,813.

Going concern

The Company focuses on drug discovery and development activities. The Company does not currently generate significant revenue from contracts with customers or from other sources. Hence, negative operational cash-flows are expected for the coming years and until such time when the Company becomes able to generate positive cash-flows from its operations, additional external funding will be necessary to fund the Company's discovery and development activities.

In April 2024, the company has completed one capital increase, whereby the share capital has been increased by 5.2 thousand at DKK 9.616 per share of nominally DKK 1. Net proceeds of DKK 50 million has been received from the capital increase.

The Board of Directors and Executive Management assesses that the gross proceeds raised in the capital increase completed after the balance sheet date is sufficient to meet the Company's liquidity requirements at least through 31 December 2024.

On this basis, the financial statements have been prepared based on a going concern assumption.

Foreign branches

The Company has a branch in Dubai.

Management's review

Events after the balance sheet date

In April 2024, the company has completed one capital increase, whereby the share capital has been increased by 5.2 thousand at DKK 9.616 per share of nominally DKK 1. Net proceeds of DKK 50 million has been received from the capital increase.

In May 2024, the Company has entered a strategic partnership with Kvantify with the aim to revolutionize the identification and development of novel drug candidates.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2023	2022
	Gross profit	584,758	0
4	Research and development expenses	-23,615,711	-8,067,083
4	General and administrative expenses	-15,785,756	-12,871,239
	Operating profit/loss	-38,816,709	-20,938,322
	Financial income	422,779	31
	Financial expenses	-6,942	-58,523
	Profit/loss before tax	-38,400,872	-20,996,814
	Tax for the year	5,454,003	1,432,638
	Profit/loss for the year	-32,946,869	-19,564,176
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-32,946,869	-19,564,176
		-32,946,869	-19,564,176

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2023</u>	<u>2022</u>
	ASSETS		
	Non-current assets		
5	Property, plant and equipment		
	Plant and machinery	10,735,078	517,506
	Leasehold improvements	3,439,545	3,066,408
		<u>14,174,623</u>	<u>3,583,914</u>
	Financial assets		
	Deposits	1,133,140	916,329
		<u>1,133,140</u>	<u>916,329</u>
	Total non-current assets	<u>15,307,763</u>	<u>4,500,243</u>
	Current assets		
	Receivables		
	Tax receivable	7,604,209	2,150,206
	Other receivables	2,739,957	1,213,588
		<u>10,344,166</u>	<u>3,363,794</u>
	Cash	8,927,616	60,916,542
	Total current assets	<u>19,271,782</u>	<u>64,280,336</u>
	TOTAL ASSETS	<u>34,579,545</u>	<u>68,780,579</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2023</u>	<u>2022</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	62,395	62,395
	Share premium account	90,009,591	90,009,591
	Reserve for development costs	0	0
	Retained earnings	<u>-57,984,173</u>	<u>-25,037,304</u>
	Total equity	<u>32,087,813</u>	<u>65,034,682</u>
	Liabilities		
	Current liabilities		
	Trade payables	1,332,204	2,478,030
	Other payables	<u>1,159,528</u>	<u>1,267,867</u>
	Total current liabilities	<u>2,491,732</u>	<u>3,745,897</u>
	Total liabilities	<u>2,491,732</u>	<u>3,745,897</u>
	TOTAL EQUITY AND LIABILITIES	<u>34,579,545</u>	<u>68,780,579</u>

- 1 Accounting policies
- 2 Financing and going concern assumptions
- 3 Events after the balance sheet date
- 6 Contractual obligations and contingencies, etc.
- 7 Security and collateral

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2023	62,395	90,009,591	6,341,147	-16,489,622	79,923,511
Adjustment of equity through corrections of errors (1 January 2022)	0	0	-2,471,364	-1,712,482	-4,183,846
Adjustment of equity through correction of errors (2022)	0	0	-3,869,783	-6,835,200	-10,704,983
Adjusted equity at 1 January 2023	62,395	90,009,591	0	-25,037,304	65,034,682
Transfer through appropriation of loss	0	0	0	-32,946,869	-32,946,869
Equity at 31 December 2023	62,395	90,009,591	0	-57,984,173	32,087,813

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Tetra Pharm Technologies ApS for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes in accounting policies

The Company's Management has changed the presentation of the income statement by nature to by function. The reason for the change is that the functional income statement is better suited to the Company's research and development activities and as well as industry practice.

The comparative figures are adapted to the changed accounting principles. The change does not have any effect in terms of profit before tax, the balance sheet and equity. Research and development expenses and general and administrative expenses are presented under individual lines in the income statement going forward.

Apart from the above, accounting principles remain unchanged from prior year.

Accounting for prior period material misstatements

In 2023, the Company identified material misstatements ascertaining to prior financial years that have been corrected as material misstatements by restating comparatives and opening equity figures at 1 January 2022 and 1 January 2023 in the current year financial statements. The corrected misstatements relate to: A - expensing of research and development expenses, B - write down of inventories, C - capitalization of deferred tax assets, D - understated expenses, E - recognition of capital injection, F - application and recognition of eligible tax credits and G - deferred tax liabilities related to capitalized development projects.

The restatements impacted the comparatives and opening equity as follows:

- ▶ Shareholder's equity at 1 January 2022 has decreased by DKK 4,184 thousand
- ▶ Loss for the year 2022, before and after tax, has increased by DKK 10,005 thousand and DKK 11,796 respectively
- ▶ Income tax benefit for the year 2022 has decreased by DKK 1,791 thousand and deferred tax liabilities related to capitalized development projects for the year 2022 have decreased by DKK 1,091 thousand
- ▶ Shareholder's equity at 1 January 2023 has decreased by DKK 14,889 thousand
- ▶ Total assets at 31 December 2022 has decreased by DKK 16,552 thousand
- ▶ Total liabilities at 31 December 2022 has decreased by DKK 1,663 thousand

Below, the impact of each of the identified misstatements is summarized:

- ▶ **Restatement A - expensing of R&D expenses**
In the prior years, the Company capitalized expenses related to research and development, which did not qualify for capitalization due to the general uncertainty related to development of pharmaceutical drugs. Consequently, previously recognized development projects have been expensed in the income statement.
- ▶ **Restatement B - write down of inventories**
In the prior years, the Company did not write down inventories to the net realizable value. The Company focuses on development of pharmaceutical drugs and does not generate significant revenue from sale of goods. Items previously accounted for as Inventories are not assessed sellable in the foreseeable future and have consequently been written down to a book value of DKK zero.
- ▶ **Restatement C - capitalization of deferred tax asset**
In the prior years, the Company capitalized a deferred tax asset, primarily relating to tax loss carry forwards, which did not qualify for capitalization, due to uncertainties as to utilization of deferred tax assets. The deferred tax asset has consequently been written down to a book value of DKK zero.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

- ▶ Restatement D - understated expenses and reclassification of certain balance sheet items
In the prior years, the Company did not record all incurred expenses relating to the financial years, including expenses relating to the depreciations of property, plant and equipment, holiday accrual, vendor invoices and other expenses and related reclassification of certain balance sheet items.
- ▶ Restatement E - recognition of capital injection
In the prior year, the Company received a capital injection from owners, which was recognized as a loan rather than as a capital contribution on equity. Consequently, a reclassification has been made between loan from shareholders and retained earnings on equity.
- ▶ Restatement F - application and recognition of eligible tax credits
In the prior years, the Company did not apply for nor recognized the tax credit for research and development expenditures, which the Company is assessed eligible for considering its core research and development activities. The Company has in the current year applied for tax credits on expenditures relating to 2020, 2021 and 2022. Tax credits have been recognized in the financial statements.
- ▶ Restatement G - deferred tax liabilities related to capitalized development projects
In the prior years, the Company capitalized expenses related to research and development as development projects (restatement A) and accounted for deferred tax related capitalized development costs. In consequence of restatement A, the related deferred tax liability, has been derecognized accordingly.

Reporting currency

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

Income statement

Revenue

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

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

Gross profit comprise revenue in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Research and development costs

The item includes research and development costs that do not qualify for capitalisation and depreciation of R&D equipment.

According to the Danish Financial Statements Act, intangible assets arising from development projects should be recognized in the balance sheet. The criteria that must be met for capitalization are that:

- the development project is clearly defined and identifiable and the attributable costs can be measured reliably during the development period; and
- the technological feasibility, adequate resources to complete and a market for the product or an internal use of the product can be documented; and
- Management has the intent to produce and market the product or to use it internally.

Such an intangible asset should be recognized if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development and sale and administration of the product.

A development project involves a high number of tests to illustrate the safety profile and its effect on humans prior to obtaining the necessary final approval of the product from the authorities. The future economic benefit associated with the individual development projects are dependent on obtaining such approval. Considering the significant risk and duration of the development period related to the development of pharmaceutical products, Management has concluded that the future economic benefits associated with the development projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary final regulatory approval of the product has been obtained.

Accordingly, the Company has not recognized such assets at this time and therefore all research and development costs are recognized in the income statement when incurred.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	5 years
Leasehold improvements	3-5 years

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity. Tax benefit comprise tax credits for Research and Development activities in accordance with the Danish Tax Assessment Act section §8 X.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

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

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Deposits

Deposits comprise lease deposits and is measured at amortized cost.

Impairment of non-current assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash

Cash comprise cash in banks.

Equity

The share premium on capital increases is recognised directly in the retained earnings, and is not bound.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Financing and going concern assumptions

The Company focuses on drug discovery and development activities. The Company does not currently generate significant revenue from contracts with customers or from other sources. Hence, negative operational cash-flows are expected for the coming years and until such time when the Company becomes able to generate positive cash-flows from its operations, external funding will be necessary to fund the Company's discovery and development activities.

In April 2024, the company has completed one capital increase, whereby the share capital has been increased by 5.2 thousand at DKK 9.616 per share of nominally DKK 1. Net proceeds of DKK 50 million has been received from the capital increase.

The Board of Directors and Executive Management assess that the gross proceeds raised in the capital increase completed after the balance sheet date is sufficient to meet the Company's liquidity requirements at least through 31 December 2024.

On this basis, the financial statements have been prepared based on a going concern assumption.

3 Events after the balance sheet date

In April 2024, the company has completed one capital increase, whereby the share capital has been increased by 5.2 thousand at DKK 9.616 per share of nominally DKK 1. Net proceeds of DKK 50 million has been received from the capital increase.

In May 2024, the company has entered a strategic partnership with Kvantify with the aim to revolutionize the identification and development of novel drug candidates.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	2023	2022
4 Staff costs		
Wages/salaries	16,844,879	9,286,354
Pensions	1,510,478	885,626
Other social security costs	54,341	156,515
Other staff costs	341,896	126,067
	<u>18,751,594</u>	<u>10,454,562</u>
 Average number of full-time employees	 <u>24</u>	 <u>15</u>

5 Property, plant and equipment

DKK	Plant and machinery	Leasehold improvements	Total
Cost at 1 January 2023	653,479	3,278,460	3,931,939
Additions	11,740,179	1,170,441	12,910,620
Cost at 31 December 2023	<u>12,393,658</u>	<u>4,448,901</u>	<u>16,842,559</u>
Impairment losses and depreciation at 1 January 2023	135,973	212,052	348,025
Depreciation	1,522,607	797,304	2,319,911
Impairment losses and depreciation at 31 December 2023	<u>1,658,580</u>	<u>1,009,356</u>	<u>2,667,936</u>
Carrying amount at 31 December 2023	<u>10,735,078</u>	<u>3,439,545</u>	<u>14,174,623</u>

6 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2023
Rent and lease liabilities	<u>7,494,345</u>

Rent and lease liabilities include a rent obligation totalling DKK 7,321,851 in interminable rent agreements with remaining contract terms of 1-4 years. Rent liabilities coming due within 1 year amounts to DKK 2,031,246 and rent liabilities coming due after 1 year amounts to DKK 5,290,605. Furthermore, the Company has obligations under operating leases for cars, totalling DKK 172,494, with average remaining contract terms of 4.5 months.

7 Security and collateral

The Company has a deposit in the bank of DKK 360 thousand to secure Mastercard withdraws.