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Muna Therapeutics ApS

Ole Maaløes Vej 3
2200 København N
CVR No. 41142871

Annual report 2021

The Annual General Meeting adopted the annual report on 27.04.2022

Niels Bang
Chairman of the General Meeting

Contents

Entity details

Entity

Muna Therapeutics ApS
Ole Maaløes Vej 3
2200 København N

Business Registration No.: 41142871
Registered office: København
Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Donald William Nicholson, Chairman
Henrijette Elsebeth Richter
Morten Døssing
Cillian King
Luc Dochez
Laia Crespo-Martin
Isaac Ciechanover
Rita Balice-Gordon

Executive Board

Rita Balice-Gordon, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Muna Therapeutics ApS for the financial year 01.01.2021 - 31.12.2021.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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

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

Copenhagen, 27.04.2022

Executive Board

Rita Balice-Gordon
CEO

Board of Directors

Donald William Nicholson
Chairman

Henrijette Elsebeth Richter

Morten Døssing

Cillian King

Luc Dochez

Laia Crespo-Martin

Isaac Ciechanover

Rita Balice-Gordon

Independent auditor's report

To the shareholders of Muna Therapeutics ApS

Opinion

We have audited the financial statements of Muna Therapeutics ApS for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor’s responsibilities for the audit of the financial statements" section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

With effect from the current financial year, the Company has chosen audit of the financial statements. We must emphasize that the comparative figures in the financial statements were subject to extended review and thus have not been audited in accordance with the International Standards on Auditing (ISAs), as is also apparent from the financial statements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 27.04.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Sejer Pedersen
State Authorised Public Accountant
Identification No (MNE) mne14986

Management commentary

Primary activities

Muna Therapeutics is a private biopharmaceutical company based in Copenhagen, Denmark and with subsidiaries in Belgium and US. Muna discovers and develops therapies that slow or stop devastating neurodegenerative diseases including Alzheimer's disease, Frontotemporal Dementia and Parkinson's disease. These disorders impact memory, movement, language, behaviour and personality resulting in disability and death of millions of patients around the globe. We focus our ground-breaking science on identifying new medicines to preserve cognition and other brain functions and enhance resilience to neurodegenerative diseases.

Development in activities and finances

Major events of 2021 include:

- In March Muna Therapeutics ApS acquired the Kv1.3. inhibitor program from Axxam S.p.A.

- In July Muna Therapeutics ApS acquired K5 Therapeutics, providing the combined entity with a unique all-in- human neurodegenerative disease target discovery platform developed by Prof Bart De Strooper and his group at VIB-KU Leuven in Belgium.

- In July, Muna Therapeutics closed a tranched 60 MEUR series A investment round. Pending achievement of certain milestones the investment round supports Munas activities into 2024.

The Company's income statement for the financial year 2021 shows a loss of 61,518 DKK ('000) and the Company's balance sheet per 31 December 2021 shows an equity of 162,313 DKK ('000).

The Company's financial position complies with management's expectations and is considered satisfactory.

Events after the balance sheet date

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

Income statement for 2021

	Notes	2021 DKK	2020 DKK
Gross profit/loss		**(49,692,746)**	**(8,795,855)**
Staff costs	1	(8,756,252)	(1,390,911)
Depreciation, amortisation and impairment losses	2	(3,020,094)	0
Operating profit/loss		**(61,469,092)**	**(10,186,766)**
Income from investments in group enterprises		(4,706,408)	0
Other financial income	3	177,754	15,461
Other financial expenses	4	(385,048)	(59,926)
Profit/loss before tax		**(66,382,794)**	**(10,231,231)**
Tax on profit/loss for the year	5	4,864,534	2,849,122
Profit/loss for the year		**(61,518,260)**	**(7,382,109)**
Proposed distribution of profit and loss			
Retained earnings		(61,518,260)	(7,382,109)
Proposed distribution of profit and loss		**(61,518,260)**	**(7,382,109)**

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK	2020 DKK
Acquired intangible assets		13,066,584	7,999,950
Intangible assets	6	**13,066,584**	**7,999,950**
Other fixtures and fittings, tools and equipment		1,357,645	0
Property, plant and equipment	7	**1,357,645**	**0**
Investments in group enterprises		53,692,280	0
Deposits		45,526	0
Financial assets	8	**53,737,806**	**0**
Fixed assets		**68,162,035**	**7,999,950**
Other receivables		1,292,573	316,711
Income tax receivable		4,517,857	2,849,122
Joint taxation contribution receivable		826,961	0
Prepayments		731,882	29,992
Receivables		**7,369,273**	**3,195,825**
Cash		**108,532,377**	**13,125,343**
Current assets		**115,901,650**	**16,321,168**
Assets		**184,063,685**	**24,321,118**

Equity and liabilities

	Notes	2021 DKK	2020 DKK
Contributed capital		675,979	131,428
Retained earnings		161,637,008	16,526,313
Equity		**162,312,987**	**16,657,741**
Other payables		0	42,798
Non-current liabilities other than provisions		**0**	**42,798**
Trade payables		11,755,774	2,234,746
Payables to group enterprises		7,532,874	0
Payables to shareholders and management		0	4,999,995
Other payables		2,462,050	385,838
Current liabilities other than provisions		**21,750,698**	**7,620,579**
Liabilities other than provisions		**21,750,698**	**7,663,377**
Equity and liabilities		**184,063,685**	**24,321,118**
Contingent liabilities	9		

Statement of changes in equity for 2021

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	131,428	16,526,313	16,657,741
Increase of capital	544,551	206,651,436	207,195,987
Exchange rate adjustments	0	(22,481)	(22,481)
Profit/loss for the year	0	(61,518,260)	(61,518,260)
Equity end of year	**675,979**	**161,637,008**	**162,312,987**

Notes

1 Staff costs

	2021 DKK	2020 DKK
Wages and salaries	8,559,343	1,380,829
Pension costs	20,000	0
Other social security costs	176,909	10,082
	8,756,252	**1,390,911**

Average number of full-time employees	**7**	**3**

2 Depreciation, amortisation and impairment losses

	2021 DKK	2020 DKK
Amortisation of intangible assets	2,933,316	0
Depreciation of property, plant and equipment	86,778	0
	3,020,094	**0**

3 Other financial income

	2021 DKK	2020 DKK
Exchange rate adjustments	177,754	15,461
	177,754	**15,461**

4 Other financial expenses

	2021 DKK	2020 DKK
Other interest expenses	349,025	40,666
Exchange rate adjustments	36,023	19,260
	385,048	**59,926**

5 Tax on profit/loss for the year

	2021 DKK	2020 DKK
Current tax	(4,517,857)	(2,849,122)
Adjustment concerning previous years	480,284	0
Refund in joint taxation arrangement	(826,961)	0
	(4,864,534)	**(2,849,122)**

6 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	7,999,950
Additions	7,999,950
Cost end of year	**15,999,900**
Amortisation for the year	(2,933,316)
Amortisation and impairment losses end of year	**(2,933,316)**
Carrying amount end of year	**13,066,584**

The Intangible assets comprise two drug discovery programs acquired from Italian drug discovery company Axxam SpA. The assets, which are used in the company's development activities, are amortized on a straight-line basis over five years.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Additions	1,444,423
Cost end of year	**1,444,423**
Depreciation for the year	(86,778)
Depreciation and impairment losses end of year	**(86,778)**
Carrying amount end of year	**1,357,645**

8 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Additions	58,421,171	45,526
Cost end of year	**58,421,171**	**45,526**
Exchange rate adjustments	(22,483)	0
Amortisation of goodwill	(4,726,789)	0
Share of profit/loss for the year	20,381	0
Impairment losses end of year	**(4,728,891)**	**0**
Carrying amount end of year	**53,692,280**	**45,526**

The value of Investments in group companies primarily relates to intangible assets related to the acquisition of K5, which are used in the Company's target discovery activities, and are amortized on a straight-line basis over 5 years.

Value of intangible assets and goodwill identified as exceeding value at acquisition are included in the carrying amount with DKK 42,541,105 as of 31.12.2021.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
K5 Therapeutics BV,	Meise, Belgium	BV	100
Muna Therapeutics Inc.	PE, U.S.	Inc.	100

9 Contingent liabilities

The Company has rental and lease commitments of DKK 327,747.

Muna Therapeutics ApS subscribed to a capital increase of K5 Therapeutics BV in the amount of EUR 6.25m on 16 July 2021, of which EUR 2m was immediately paid-in. The remaining amount of EUR 4.25m is payable upon request from the Board of Directors of K5 Therapeutics BV. To date, Muna Therapeutics ApS has not received any indication from K5 Therapeutics BV that such request would be made (in whole or in part) in the near future.

The Company participates in a Danish joint taxation arrangement where Novo Holdings A/S serves as the administration company in the period 13 January to 18 March 2021. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Accounting policies

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

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

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

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

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

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

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

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

Business combinations
Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. Useful life is reassessed annually.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

Income statement

Gross profit or loss

Gross profit or loss comprises other external expenses.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including patent costs, pre-clinical studies and other costs relating to the company's research and development activities, expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Income from investments in group enterprises

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

Other financial income

Other financial income comprises interest income including exchange gains on securities, payables and transactions in foreign currencies and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses including exchange losses on securities, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The Company has been jointly taxed with Novo Holdings A/S and its Danish group enterprises for part of the year, as decribed in note 9. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc
Intellectual property rights etc comprise of development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Intellectual property rights and other acquired intangibles:	5 years

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

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

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

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

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Estimated useful lives and residual values are reassessed annually.

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

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

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

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

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

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

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

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

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

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

Cash
Cash comprises cash in hand and bank deposits.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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