



Muna Therapeutics ApS

Nordre Fasanvej 215
2000 Copenhagen
CVR No. 41142871

Annual report 2023

The Annual General Meeting adopted the annual report on 01.05.2024

Niels Bang

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2023	8
Balance sheet at 31.12.2023	9
Statement of changes in equity for 2023	11
Notes	12
Accounting policies	15

Entity details

Entity

Muna Therapeutics ApS

Nordre Fasanvej 215

2000 Copenhagen

Business Registration No.: 41142871

Registered office: Copenhagen

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Donald William Nicholson, chairman

Henriette Elsebeth Richter

Morten Døssing

Cillian King

Laia Crespo-Martin

Eileen Elizabeth McGuire

Reza Halse

Rita Balice-Gordon

Executive Board

Rita Balice-Gordon

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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

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

Copenhagen, 16.04.2024

Executive Board

Rita Balice-Gordon

Board of Directors

Donald William Nicholson
chairman

Henriette Elsebeth Richter

Morten Døssing

Cillian King

Lia Crespo-Martin

Eileen Elizabeth McGuire

Reza Halse

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 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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.

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 by relevant law and regulations.

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

Copenhagen, 16.04.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Sejer Pedersen

State Authorised Public Accountant
Identification No (MNE) mne14986

Management commentary

Primary activities

Muna Therapeutics ("Muna") 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. These disorders impact memory, movement, language, behavior 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

In 2023, our TREM2 program moved forward according to plan and timeline, and reached candidate selection in February 2024. The program will now be entering the toxicology and safety studies required before a first-in-man clinical trial. Pending successful completion of the tox and safety package the program enters clinical Phase I in Q1 2025.

Our 2nd program, a Kv1.3 inhibitor, is just a few months behind the lead program, and will also be prepared for a first clinical trial in 2025.

In 2023, we also successfully selected our first new target from the MiND-MAP platform which allows us to prioritize potential Alzheimers disease targets via bioinformatic integration of proprietary data obtained from analyses of human brain samples and external data repositories. The selected target seeds Muna's third development program.

Based on the successful pipeline progress Muna has obtained additional cash capital increase under the existing Series A agreement, resulting in cash inflow of 65 million DKK in November 2023 and further 65 million in March 2024.

In 2024, we will initiate non-clinical toxicology and safety studies for our TREM2 and Kv1.3 programs for us to be able to commence first in human clinical trials in 2025.

Reaching the clinical stage is a major milestone for Muna and we will be seeking and expect to obtain additional funding in 2024 to enable us to conduct clinical trials. Management evaluate that our cash position per 31 December 2023 amounting to 103 million DKK together with the cash inflow of 65 million in March 2024 will provide sufficient runway to secure additional funding in 2024 to support the the company's plans to commence clinical trials in 2025.

Muna's income statement for the financial year 2023 shows a loss of 140.3 million DKK.

Muna's balance sheet per 31 December 2023 shows an equity of 126.9 million DKK.

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

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		(110,624,445)	(98,234,040)
Staff costs	2	(25,334,089)	(20,425,844)
Depreciation, amortisation and impairment losses	3	(6,558,986)	(3,790,150)
Operating profit/loss		(142,517,520)	(122,450,034)
Income from investments in group enterprises	4	(4,937,255)	(10,448,028)
Other financial income	5	2,265,739	301,438
Other financial expenses	6	(561,673)	(585,722)
Profit/loss before tax		(145,750,709)	(133,182,346)
Tax on profit/loss for the year	7	5,430,737	5,500,000
Profit/loss for the year		(140,319,972)	(127,682,346)
Proposed distribution of profit and loss			
Retained earnings		(140,319,972)	(127,682,346)
Proposed distribution of profit and loss		(140,319,972)	(127,682,346)

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Acquired intangible assets		12,060,186	17,417,590
Intangible assets	8	12,060,186	17,417,590
Other fixtures and fittings, tools and equipment		3,825,544	3,117,931
Leasehold improvements		80,370	100,890
Property, plant and equipment	9	3,905,914	3,218,821
Investments in group enterprises		38,306,650	43,274,408
Deposits		1,024,743	469,023
Financial assets	10	39,331,393	43,743,431
Fixed assets		55,297,493	64,379,842
Other receivables		2,340,171	2,506,987
Income tax receivable		5,500,000	9,981,647
Prepayments		2,029,950	2,379,395
Receivables		9,870,121	14,868,029
Cash		103,042,874	168,269,811
Current assets		112,912,995	183,137,840
Assets		168,210,488	247,517,682

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		1,201,796	1,061,867
Reserve for net revaluation according to the equity method		0	6,670
Retained earnings		125,758,061	200,976,412
Equity		126,959,857	202,044,949
Provisions for investments in group enterprises		0	23,486
Provisions		0	23,486
Deposits		0	15,753
Non-current liabilities other than provisions		0	15,753
Deposits		15,753	0
Trade payables		18,118,724	13,491,913
Payables to group enterprises		12,036,447	16,600,983
Other payables		5,168,662	3,488,911
Deferred income	11	5,911,045	11,851,687
Current liabilities other than provisions		41,250,631	45,433,494
Liabilities other than provisions		41,250,631	45,449,247
Equity and liabilities		168,210,488	247,517,682
Events after the balance sheet date	1		
Contingent liabilities	12		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,061,867	6,670	200,976,412	202,044,949
Increase of capital	139,929	0	65,094,951	65,234,880
Exchange rate adjustments	0	(6,670)	6,670	0
Profit/loss for the year	0	0	(140,319,972)	(140,319,972)
Equity end of year	1,201,796	0	125,758,061	126,959,857

Notes

1 Events after the balance sheet date

Based on the successful pipeline progress described under Management Commentary, the final portion of Muna Therapeutics ApS' Series A investment round was subscribed for by the investor syndicate on March 18, 2024, resulting in a 65 million cash capital in March 2024.

In 2024, we will initiate non-clinical toxicology and safety studies for our TREM2 and Kv1.3 programs for us to be able to commence first in human clinical trials in 2025.

Reaching the clinical stage is a major milestone for Muna and we will be seeking and expect to obtain additional funding in 2024 to enable us to conduct clinical trials. Management evaluate that our cash position per 31 December 2023 amounting to 103 million DKK together with the cash inflow of 65 million in March 2024 will provide sufficient runway to secure additional funding in 2024 to support the the company's plans to commence clinical trials in 2025.

2 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	23,051,345	18,767,363
Pension costs	1,608,170	1,044,878
Other social security costs	674,574	613,603
	25,334,089	20,425,844
Average number of full-time employees	18	16

3 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Amortisation of intangible assets	5,357,404	3,199,980
Depreciation of property, plant and equipment	1,201,582	590,170
	6,558,986	3,790,150

4 Income from investments in group enterprises

Income from investments in group enterprises contains amortisation of goodwill for 7,296,156 DKK.

5 Other financial income

	2023	2022
	DKK	DKK
Other interest income	2,003,010	1,165
Exchange rate adjustments	262,729	300,273
	2,265,739	301,438

6 Other financial expenses

	2023	2022
	DKK	DKK
Other interest expenses	442	250,489
Exchange rate adjustments	561,231	335,233
	561,673	585,722

7 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	(5,500,000)	(5,500,000)
Adjustment concerning previous years	69,263	0
	(5,430,737)	(5,500,000)

8 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	23,550,886
Cost end of year	23,550,886
Amortisation and impairment losses beginning of year	(6,133,296)
Amortisation for the year	(5,357,404)
Amortisation and impairment losses end of year	(11,490,700)
Carrying amount end of year	12,060,186

The Intangible assets comprise two drug discovery programs acquired from Italian drug discovery company Axxam SpA and value of intellectual property transferred from K5 Therapeutics BV. The assets, which are used in the company's development activities, are amortized on a straight-line basis over 3,5 and 5 years.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,793,169	102,600
Additions	1,888,675	0
Cost end of year	5,681,844	102,600
Depreciation and impairment losses beginning of year	(675,238)	(1,710)
Depreciation for the year	(1,181,062)	(20,520)
Depreciation and impairment losses end of year	(1,856,300)	(22,230)
Carrying amount end of year	3,825,544	80,370

10 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	50,870,184	469,023
Additions	0	555,720
Cost end of year	50,870,184	1,024,743
Impairment losses beginning of year	(7,595,777)	0
Exchange rate adjustments	(7,013)	0
Amortisation of goodwill	(7,296,156)	0
Share of profit/loss for the year	2,358,898	0
Investments with negative equity value transferred to provisions	(23,486)	0
Impairment losses end of year	(12,563,534)	0
Carrying amount end of year	38,306,650	1,024,743

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 18,240,386 as of 31.12.2023.

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
K5 Therapeutics BV,	Leuven, Belgium	BV	100.00
Muna Therapeutics Inc.	Delaware, U.S.	Inc.	100.00

11 Deferred income

Deferred income consists of grants received. The grants covers costs related to the development projects. Deferred income is recognised in the income statement when the related costs have occurred.

12 Contingent liabilities

The Company has rental and lease commitments of DKK 406,458

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.

Muna Therapeutics ApS has a contingent liability to compensate K5 Therapeutics BV for 3.6 mEUR before interest, upon commercialisation of two projects.

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.

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 operating income and other external expenses.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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.

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 %
Leasehold improvements	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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

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

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.