

Embark Laboratories ApS

Ottiliavej 9, 2500 Valby

CVR no. 44 17 24 10

Annual report 2023/24

Approved at the Company's annual general meeting on 10 February 2025

Chair of the meeting:

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Casper Tind Hansen

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Embark Laboratories ApS for the financial year 1 October 2023 - 30 September 2024.

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 30 September 2024 and of the results of the Company's operations for the financial year 1 October 2023 - 30 September 2024.

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

Copenhagen, 10 February 2025
Executive Board:

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Casper Tind Hansen

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Jakob Bondo Hansen

Independent auditor's report

To the shareholders of Embark Laboratories ApS

Conclusion

We have conducted an extended review of the financial statements of Embark Laboratories ApS for the financial year 1 October 2023 - 30 September 2024, 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.

Based on the work we have performed, in our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2024 and of the results of the Company's operations for the financial year 1 October 2023 - 30 September 2024 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's standard on extended review for Small entities and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance for our conclusion on the financial statements and perform specifically required supplementary procedures to obtain additional assurance for our conclusion.

An extended review comprises procedures that primarily consist of making enquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

Copenhagen, 10 February 2025
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

Financial statements 1 October 2023 - 30 September 2024

Income statement

Note	DKK	2023/24 12 months	2023 3 months
	Gross profit/loss	-7,229,032	-814,755
4	Staff costs	-5,381,499	-4,283,581
	Depreciation of property, plant and equipment	-1,642,222	0
	Profit/loss before net financials	-14,252,753	-5,098,336
	Financial income	7,195	0
	Financial expenses	-8,591	-9,365
	Profit/loss before tax	-14,254,149	-5,107,701
	Tax for the year	2,880,320	285,960
	Profit/loss for the year	-11,373,829	-4,821,741
	Recommended appropriation of profit/loss	-11,373,829	-4,821,741
	Retained earnings/accumulated loss	-11,373,829	-4,821,741

Financial statements 1 October 2023 - 30 September 2024

Balance sheet

Note	DKK	2023/24	2023
	ASSETS		
	Fixed assets		
5	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	4,926,664	3,282,655
		<u>4,926,664</u>	<u>3,282,655</u>
	Total fixed assets	<u>4,926,664</u>	<u>3,282,655</u>
	Non-fixed assets		
	Receivables		
	Corporation tax receivable	3,166,280	285,960
	Other receivables	600,976	140,179
		<u>3,767,256</u>	<u>426,139</u>
	Cash	<u>2,178,728</u>	<u>3,636,991</u>
	Total non-fixed assets	<u>5,945,984</u>	<u>4,063,130</u>
	TOTAL ASSETS	<u>10,872,648</u>	<u>7,345,785</u>

Financial statements 1 October 2023 - 30 September 2024

Balance sheet

Note	DKK	2023/24	2023
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	51,515	51,515
	Share premium account	0	0
	Retained earnings	7,765,709	1,898,935
	Total equity	7,817,224	1,950,450
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	1,152,626	231,582
	Payables to group enterprises	1,609,810	2,512,593
	Other payables	292,988	2,651,160
		3,055,424	5,395,335
	Total liabilities other than provisions	3,055,424	5,395,335
	TOTAL EQUITY AND LIABILITIES	10,872,648	7,345,785

- 1 Accounting policies
- 2 The Company's principal activities
- 3 Financing and the going concern assumptions
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties

Financial statements 1 October 2023 - 30 September 2024

Statement of changes in equity

DKK	Share capital	Share premium account	Retained earnings	Total
Equity at 5 July 2023	51,515	6,770,676	0	6,822,191
Expenses, capital increase	0	-50,000	0	-50,000
Transfer through appropriation of loss	0	0	-4,821,741	-4,821,741
Transferred from share premium account	0	-6,720,676	6,720,676	0
Equity at 1 October 2023	51,515	0	1,898,935	1,950,450
Capital contribution	0	0	17,240,603	17,240,603
Transfer through appropriation of loss	0	0	-11,373,829	-11,373,829
Equity at 30 September 2024	51,515	0	7,765,709	7,817,224

Financial statements 1 October 2023 - 30 September 2024

Notes to the financial statements

1 Accounting policies

The annual report of Embark Laboratories ApS for 2023/24 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree, adjusted for tax assets on patents and know-how, are recognised directly in equity as "Net assets received upon formation of the company".

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

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

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

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/loss

The items revenue and external expenses have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial statements 1 October 2023 - 30 September 2024

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and 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:

Fixtures and fittings, other plant and equipment	3 years
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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.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

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.

Impairment of fixed 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.

Financial statements 1 October 2023 - 30 September 2024

Notes to the financial statements

1 Accounting policies (continued)

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.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The objective evidence applied to portfolios is determined based on historical loss experience.

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 bank deposits.

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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.

Financial statements 1 October 2023 - 30 September 2024

Notes to the financial statements

2 The Company's principal activities

The Company's main activities comprise research and development of intellectual property rights aimed at discovering and developing new drugs to treat obesity and related complications.

Embark Laboratories ApS was established in July 2023 from the taxable de-merger of Embark Biotech ApS. As part of the de-merger transaction, Embark Biotech ApS transferred certain assets and liabilities, including certain patent rights and know-how to Embark Laboratories ApS.

3 Financing and the going concern assumptions

Embark Laboratories ApS' research and development activities are primarily financed through funding from its shareholders, with Embark Holdings ApS holding a 97% ownership stake. The shareholders have entered into a research collaboration agreement with an external party, under which they are committed to using commercially reasonable efforts to perform and carry out agreed research activities in Embark Laboratories ApS. This includes completing pre-clinical toxicology studies as agreed with the external party and providing the necessary resources to fulfill the agreed research programs.

Although there are no binding contractual obligations between the shareholders and the company regarding the funding of planned research and development activities, management believes that the planned research and development activities of Embark Laboratories ApS will continue to be supported through shareholder contributions and/or loans for at least twelve months from the balance sheet date. On this basis, the financial statements have been prepared on a going concern basis.

DKK		2023/24 12 months	2023 3 months
4	Staff costs		
	Wages/salaries	4,612,499	4,134,489
	Pensions	667,629	146,013
	Other social security costs	19,559	2,383
	Other staff costs	81,812	696
		<u>5,381,499</u>	<u>4,283,581</u>
	Average number of full-time employees	<u>5</u>	<u>3</u>

Financial statements 1 October 2023 - 30 September 2024

Notes to the financial statements

5 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment
Cost at 1 October 2023	3,282,655
Additions	3,286,230
Cost at 30 September 2024	6,568,885
Impairment losses and depreciation at 1 October 2023	0
Depreciation	1,642,221
Impairment losses and depreciation at 30 September 2024	1,642,221
Carrying amount at 30 September 2024	4,926,664
Depreciated over	3 years

6 Contractual obligations and contingencies, etc.

The Company is jointly taxed with its parent, Embark Holdings ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2023 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 5 July 2023.

Other financial obligations

Other rent and lease liabilities:

DKK	2023/24	2023
Rent and lease liabilities	200,000	340,000

7 Related parties

Embark Laboratories ApS' related parties comprise the following:

Significant influence

Related party	Domicile	Basis for significant influence
Embark Holdings ApS	Copenhagen, Denmark	97% ownership