UNION THERAPEUTICS

Annual Report 2023

Revolutionizing standard of care in immunology

Sara, diagnosed with hidradenitis suppurativa.

uniontherapeutics.com

Our purpose

Passionately creating medicines that make a difference

Contents

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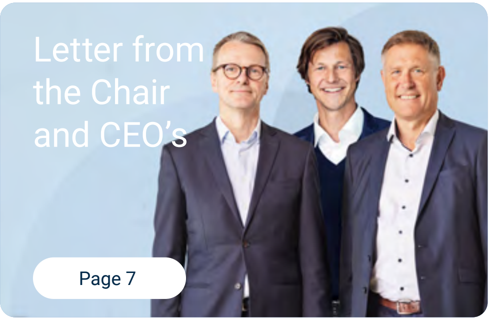
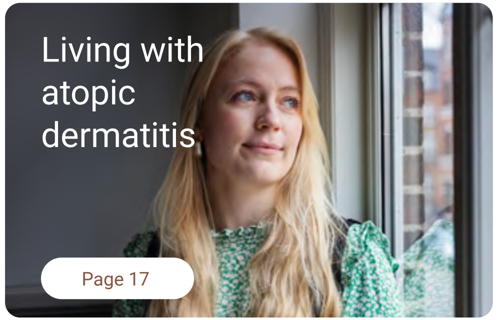




The big picture

“Working with medical affairs in a smaller, entrepreneurial yet very ambitious organization is highly motivating. I really enjoy the daily learnings that comes from collaborating with insightful colleagues and leading external experts in the field of immunology.”

Anna, VP of Medical Affairs.

UNION at a glance

UNION is a development-focused biopharmaceutical company that aims to improve the standard of care across a range of immunological indications.

UNION's activities are focused on mid- to late-stage clinical development of well-characterized molecules with broad mechanisms of action across therapeutic areas with significant unmet medical need.

UNION's lead candidate orismilast, a next generation, high potency PDE4B/D selective inhibitor is being developed as a potential safe yet efficacious oral treatment for a range of immunological diseases.

Scalable and capital-efficient business model built on identification of well-characterized molecules, targeted clinical development and selective commercialization.

Pipeline-in-a-drug potential for orismilast with **first-in-class potential in atopic dermaitis (AD), hidradenitis suppurativa (HS) and ulcerative colitis (UC)** and with best-in-class potential in psoriasis, as well as a range of high-potential expansion opportunities across immunology.

Team of **30 employees** led by an experienced leadership team with a proven track record of taking products to market coupled with deep insight into disease targets.

A scientific leader in development of subtype selective PDE4B/D-inhibitors like orismilast.

Strong **IP protection** supported by 225 issued patents with potential to support the orismilast franchise into the 2040's.

2023 highlights

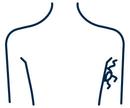
JAN – MAR

Positive topline results from IASOS, Phase 2b study with orismilast in psoriasis reported, and presented at the American Academy of Dermatology (AAD) Annual Meeting

Fast Track designation from the U.S. Food and Drug Administration (FDA) for orismilast in hidradenitis suppurativa (HS)*

APR – JUNE

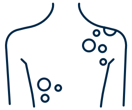
Positive topline results from OSIRIS, investigator-initiated, Phase 2 study with orismilast in HS reported



Topline results from the PROTECT-V platform study with niclosamide nasal spray to prevent COVID-19 infection in vaccinated but highly vulnerable patients reported by Cambridge University Hospital NHS Foundation Trust etc.

JULY – SEPT

Patient enrollment completed for ADESOS Phase 2b study with orismilast in atopic dermatitis (AD)



Private placement of DKK 103m (total of DKK 381m across 2021-2023)

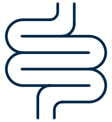
OCT – DEC

Late-breaking presentation at EADV Congress with data from OSIRIS, investigator-initiated, Phase 2 study with orismilast in HS

New peer-reviewed **publication on IASOS Phase 2b results** in JAAD** and peer-reviewed **publication on OSIRIS Phase 2 results** in JEADV***

New peer-reviewed **publication on the clinical potential of the emerging class of PDE4B/D inhibitors** like orismilast in Journal of Dermatology and Therapy

Initiation of the UCORIS study, an investigator-initiated, Phase 2 study with orismilast in ulcerative colitis (UC)****



* Announced January 2023.
** Journal of the American Academy of Dermatology.
*** Journal of European Academy of Dermatology and Venerology.
**** First patient enrolled in January 2024.

Joint letter from the Chair and CEO's

UNION is at an exciting stage of its development with several mid- to late-stage clinical programs ongoing, a substantial pipeline-in-a-drug opportunity and pushing beyond the boundaries of immune dermatology.

Positive topline results have set the scene
2023 has been an important year for UNION with positive data read-outs from two clinical studies with orismilast in psoriasis (IASOS, Ph2b) and hidradenitis suppurativa (OSIRIS, Ph2, investigator-initiated), respectively. The studies have confirmed the well-known safety profile of the PDE4 class in general, while realizing the improved efficacy of the potent PDE4B/D selective inhibition of orismilast.

Data from these studies have been presented as late breakers at leading scientific conferences in the US (AAD), and Europe (EADV) by international key opinion leaders within immunology. Data from both studies have also been published in top-rated peer-reviewed journals. These are important steps in building and strengthening the scientific narrative of orismilast, providing a better understanding of the large potential of a next-generation, high potency PDE4B/D inhibitor. We are pleased that data on orismilast has been well received by experts in the field and that the need for a new safe and efficacious oral treatment candidate across immunology is confirmed.

Together with leading international experts within immune dermatology, UNION has identified the differentiated features of the

Stig Løkke Pedersen
Chair of the Board of Directors

Rasmus Toft-Kehler
Co-Chief Executive Officer

Kim Domela Kjøller
Co-Chief Executive Officer

“2023 started with positive topline results from our Phase 2b study with orismilast in psoriasis, and throughout the year data has been presented at leading scientific conferences and published in peer-reviewed journals. It has indeed been an exciting year providing a good foundation for the continuous development of UNION.”

emerging class of selective PDE4B/D inhibitors such as orismilast. The understanding of how the next-generation of PDE4 inhibitors differentiate from pan-PDE4s is important for the development path of orismilast and towards unlocking the full potential of PDE4 inhibition across immunology to the benefit of patients and caregivers.

Expanding orismilast beyond dermatology

Data from the two clinical studies in HS and psoriasis have been the foundation for valuable interactions with the regulatory authorities, regarding planning of the future pivotal studies.

The significant unmet medical need combined with the potential of orismilast to provide patients with safe oral treatment options in HS and AD, has also been acknowledged by the FDA who has granted Fast Track designation to orismilast for both diseases.

During the year, UNION completed patient enrollment for the ADESOS (Phase 2b) study with orismilast in patients with atopic dermatitis, the most common form of eczema causing itchy skin. Reaching this milestone marks the continued advancement of UNION’s pipeline, and it is with excitement we await the topline results expected during the first half of 2024.

We are also excited about the expansion of orismilast into ulcerative colitis, a chronic, inflammatory bowel disease, with the initiation of an investigator-initiated Phase 2 study. The potency of orismilast alongside the relevance of PDE4 provided a strong rationale for testing orismilast in a new indication and further unlocking the broader potential and “pipeline-in-a-drug” opportunity for orismilast.

Creating medicines that make a difference

2023 has also been the year where we decided not to progress niclosamide, a broad-spectrum antiviral. UNION was informed by the investigator/sponsor from Cambridge University Hospital that the event-driven Phase 2/3 platform study PROTECT-V, investigating niclosamide nasal spray for the prevention of COVID-19, did not meet its primary endpoint in that trial. Following those results, UNION took the decision to focus the company’s resources on the immunology programs, most prominently with orismilast.

At UNION, we are committed to being a sustainable company contributing positively to society as a whole. It has always been the very core of UNION’s patient-centric vision around creating medicines that make a difference. We are therefore pleased to have continued our sustainability efforts in 2023 where we have further refined the sustainability strategy and focus areas.

During the year, we continued to nourish our culture (The UNION Way) and develop a thriving, diverse and inclusive team. We are proud to have employees who are engaged, believe that UNION has a great culture, and who are excited about UNION’s potential, in bringing new treatment options to people suffering from immunological diseases.

All-hands-on-deck

UNION is at an exciting stage of its development with several mid- to late-stage clinical programs ongoing, a substantial pipeline-in-a-drug opportunity while pushing beyond the boundaries of immune dermatology. This exciting phase has intensified both scientific as well as business partner dialogues. To maximize the potential of our pipeline, the scientific narrative of PDE4B/D inhibitors and orismilast in particular, and to leverage team complementarity while ensuring dedicated leadership for our business development and funding objectives, we have appointed Kim Kjøller and co-founder Rasmus Toft-Kehler as Co-Chief Executive Officers. Kim Kjøller will spearhead leadership of the clinical programs and scientific narrative while Rasmus Toft-Kehler will steer the broader corporate objectives.

Looking ahead to a very exciting 2024

The great achievements during the year have only been possible as a result of the dedicated and hard-working team at UNION, and we are grateful for the support we continue to receive from our shareholders allowing us to further advance and broaden our mid- to late-stage clinical pipeline as we look to mazimize the impact of orismilast. Our gratitude extends to all stakeholders, who are all essential in our pursuit to develop medicines that make a difference.

Stig Løkke Pedersen
Chair of the Board of Directors

Rasmus Toft-Kehler
Co-Chief Executive Officer, Co-founder

Kim Domela Kjøller
Co-Chief Executive Officer

Business model and strategy

The core of UNION's business model is identification and development of molecules with well-established and broadly applicable mechanisms of action and first-in-class or best-in-class potential.

1 Identification of molecules

Identification of molecules that have well-established and broadly applicable mechanisms of action as well as favorable safety profiles. These can be molecules developed internally or sourced via in-licensing or M&A.

Identify

2

A Deep understanding of unmet medical needs

Proprietary research coupled with strong scientific rationale provides a deep understanding of the unmet needs among patients, physicians and payers, aiming to develop solutions that meet the needs of all stakeholders.

B Optimizing drug delivery

Formulation and drug delivery optimized to enhance efficacy, safety as well as convenience of the drug to support patient adherence to treatment.

C Clinical development

Design of clinical development programs to rapidly demonstrate competitive and unique characteristics for patients, physicians, and payers in close collaboration with key opinion leaders, patient organizations and contract research organizations.

Develop

3 Commercialization

Assessing the value of commercializing products internally and weighing this up against the value of potential strategic partnerships.

Commercialize

Consolidated key figures

DKK'000	2023	2022	2021	2020	2019
Statement of comprehensive income					
Revenue	2,299	34,393	118,912	-	11,649
Research and development costs	-140,262	-186,434	-155,305	-65,107	-19,402
Administrative costs	-22,079	-31,584	-21,724	-8,270	-5,053
Other operating income	-	-	6,178	9,049	344
Operating result	**-160,042**	**-183,625**	**-51,939**	**-64,328**	**-12,462**
Financial income/(expense)	-14,743	-36,133	-9,562	-22,078	-4,543
Result before tax	**-174,785**	**-219,758**	**-61,501**	**-86,406**	**-17,005**
Tax income/(expense)	5,359	5,454	5,475	5,510	4,143
Result for the year	**-169,426**	**-214,304**	**-56,026**	**-80,896**	**-12,862**
Statement of financial position					
Non-current assets	18,244	17,908	17,978	16,856	576
Current assets excl. Cash and cash equivalents	6,641	8,762	13,545	15,603	5,251
Cash and cash equivalents	95,305	159,005	253,402	36,425	46,466
Total assets	120,190	185,675	284,925	68,884	52,293
Equity	-61,599	-27,688	49,380	-58,397	-38,308
Non-current liabilities	10,541	136,793	170,675	94,963	81,220
Current liabilities	171,248	76,570	64,870	32,318	9,381

Reporting framework
UNION's management review section is prepared in accordance with disclosure requirements for reporting class B enterprises with elected additional reporting requirements for reporting class C enterprises under the Danish Financial Statements Act. This specifically relates to elected reporting for corporate social responsibility (§99a), gender distribution (§99b), description of research and development activities (§99.8) and overview of key financial figures (§101).

DKK'000	2023	2022	2021	2020	2019
Cash flow statement					
Cash flow from operating activities	-159,980	-158,074	-2,974	-51,546	-8,379
Cash flow from investing activities	-113	-178	-140	-1,668	0
- Investment in property plant and equipment	-113	-178	-140	0	0
Cash flow from financing activities	96,725	61,448	216,496	43,524	32,783
Environmental, social and governance					
Average full-time equivalents	32	37	26	10	10
Headcounts at year end	30	41	37	17	11
Turnover rate*	31%	9%	24%	12%	N/A
Gender balance in Board of Directors**	29%	29%	29%	20%	20%
Gender balance in Other managerial positions**	25%	29%	23%	N/A	N/A
Gender balance in UNION**	50%	49%	46%	53%	N/A
Tons CO_2 emissions from operations (scope 1+2)	2	17	10	N/A	N/A
Tons CO_2 emissions from operations (scope 3)	2,154	3,952	3,852	N/A	N/A

* Turnover rate calculated as FTEs leaving during the year compared to FTEs at the beginning of the year.
** Measured as proportion of females out of the total.

Our business

Pipeline overview

UNION has a late-stage clinical pipeline targeting indications with significant unmet medical needs.

	Indication		Preclinical	Phase 1	Phase 2a	Phase 2b	Phase 3	Status
Orismilast* (PDE4B/D inhibitor)	**Atopic dermatitis** Orismilast	FDA Fast Track						Phase 2b trial results expected in H1'24
	Hidradenitis suppurativa Orismilast *Investigator-initiated trial*	FDA Fast Track						Preparation of Phase 2b/3 ongoing
	Psoriasis Orismilast							Phase 3 ready
	Ulcerative colitis Orismilast *Investigator-initiated trial*							Phase 2 ongoing
UNI677 (PDE4D inhibitor)	**Undisclosed** Oral UNI677							IND enabling tox ongoing

Ongoing/upcoming study   Completed study

* Innovent Biologics has exclusive rights to oral orismilast and an option on topical orismilast for China, Hong Kong, Taiwan and Macau; UNION retains remaining worldwide rights.

Orismilast

Orismilast is a next generation, high potency PDE4B/D inhibitor currently in development as an oral treatment of atopic dermatitis (AD), hidradenitis suppurativa (HS), psoriasis and ulcerative colitis (UC).

Addressing significant unmet medical needs
Orismilast is a PDE4 inhibitor targeting the PDE4B/D subtypes linked to inflammation and demonstrating potent inhibition of Th1, Th2 and Th17 pathways.

PDE4-inhibitors like orismilast act early in the inflammation cascade, inducing a broad range of anti-inflammatory effects across multiple cytokines involved in many immunological diseases including in dermatology and gastroenterology.

UNION is developing orismilast as an oral treatment across immunological diseases, based on the well-established favorable safety profile of the PDE4 class. The PDE4 class has been commercially and clinically validated by successfully marketed pan-PDE4 inhibitors.

Initially, UNION is targeting first-in-class positions in AD, HS and UC, and best-in-class potential in psoriasis. Despite continued developments in the treatment landscapes, there is still a substantial unmet need for safe oral treatments without screening and monitoring requirements.

Documented clinical efficacy and safety in late-stage clinical studies
Orismilast has been investigated in a Phase 2b trial (IASOS, n=202) for the treatment of psoriasis. The trial demonstrated that orismilast significantly reduced the Psoriasis Area and Severity Index (PASI) of treated patients compared with patients on placebo from baseline to week 16.

Additionally, orismilast was tested in a Phase 2, investigator-initiated study (OSIRIS, n=20) for the treatment of HS. The study demonstrated clinically relevant improvements in HS for patients who completed the planned 16 weeks of treatment with orismilast.

Data from these two studies has been presented at two leading scientific conferences: the American Academy of Dermatology (AAD) Annual Meeting and at the European Academy of Dermatology and Venerology (EADV) Congress by leading international key opinion leaders within immunology. The results have also been published in peer-reviewed journals (JAAD and JEADV).

Orismilast is currently being tested in a Phase 2b study in patients with moderate to severe AD. Patient enrollment was completed in September 2023 and topline results are expected in the first half of 2024.

Expansion of orismilast beyond dermatology
UNION has expanded the development of orismilast into ulcerative colitis, a chronic, inflammatory bowel disease, with an investigator-initiated Phase 2 study (UCORIS). The potency of orismilast and the relevance of the PDE4 MoA provided a strong rationale for testing orismilast in the indication, further broadening the potential “pipeline-in-a-drug” opportunity for orismilast. The first patients in the UCORIS study were enrolled in January 2024.

Atopic dermatitis

Need for safe oral treatments
Orismilast holds first-in-class potential as a safer oral alternative to JAK inhibitors and injectable biologics.

FDA Fast Track

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Hidradenitis suppurativa

Need for more and improved treatment options
Orismilast holds first-in-class potential as a novel oral treatment with broad anti-inflammatory mode-of-action and an alternative to injectable biologics.

FDA Fast Track

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Psoriasis

Need for oral treatments with improved efficacy
Orismilast holds potential as a best-in-class safe oral treatment with improved efficacy, while retaining well-established safety profile of the PDE4-class.

Page 21

Ulcerative colitis

Need for safe oral treatments with improved efficacy
Orismilast holds first-in-class potential as a safer oral alternative to injectable biologics.

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PDE4B/D selective inhibitors and their broad potential within immunology

Phosphodiesterase-4 (PDE4) is a group of enzymes that regulate inflammation in the body. PDE4 enzymes work inside the cells, regulating the production of several signaling molecules (cytokines) involved in inflammatory diseases.

Andrew Blauvelt
MD, dermatologist and investigator at the Oregon Medical Research Center, Portland, US

PDE4 inhibitors act by increasing the levels of a signaling molecule called cyclic adenosine monophosphate (cAMP) in the cells. This lead to suppression of key immune cells by reducing the production of pro-inflammatory cytokines and by increasing the production of anti-inflammatory mediators.

Well-established mechanism of action

PDE4 inhibition is a well-established mechanism of action often used as a first systemic treatment due to a well-documented safety profile. The mechanism of action also has the potential to positively impact comorbidities that are associated with chronic inflammatory skin diseases.

PDE4 inhibitors have been a clinical and commercial success for the treatment of several different chronic inflammatory diseases, e.g., psoriasis and psoriatic arthritis. The key challenge with currently available PDE4 inhibitors has been limitations on therapeutic window yielding modest efficacy.

In recent years, research has shown that there are four subtypes of the PDE4 enzyme, PDE4A, PDE4B, PDE4C and PDE4D. As it has been established that only the PDE4B and D subtypes are expressed in high levels in immune cells, inhibition of these subtypes is considered the main driver of the anti-inflammatory effects of PDE4 inhibitors.

Improved therapeutic window

The development of more potent PDE4B/D selective inhibitors improve the therapeutic window and may drive higher efficacy in treating immune diseases compared to previously approved pan-PDE4 inhibitors.

Recent evidence suggests that inhibition of PDE4 improves diabetes-associated cardiac dysfunction. PDE4 inhibition has also been shown to reduce inflammation in human vascular endothelial cells, highlighting the potential for affecting comorbidities such as cardiovascular diseases.[1]

Next-generation PDE4B/D inhibitors like orismilast are being developed with an improved potency for B and D subtypes, to selectively target immune cells and the key signaling molecules driving inflammatory diseases such as atopic dermatitis, hidradenitis suppurativa, psoriasis and ulcerative colitis.

"A new class of selective PDE4B/D inhibitors is emerging, with improved potency and potential to offer novel oral treatments in several inflammatory diseases."

1 Blauvelt et al. (2023).

Atopic dermatitis

Atopic dermatitis (AD) is the most common inflammatory skin disease, and it is considered a complex and heterogeneous condition.

AD produces a red, itchy rash (eczema), most frequently occurring on the face, arms and legs, and the rash can cover a significant share of the body.

20m

adults diagnosed with moderate to severe AD in 2023 in the US, EU5* and Japan.[1]

Burden of living with AD

AD is a burdensome condition that significantly impacts quality of life and overall health. For most people with AD, itch is the most bothersome symptom followed by red inflamed skin and sleep disturbance, which is caused by the itching.

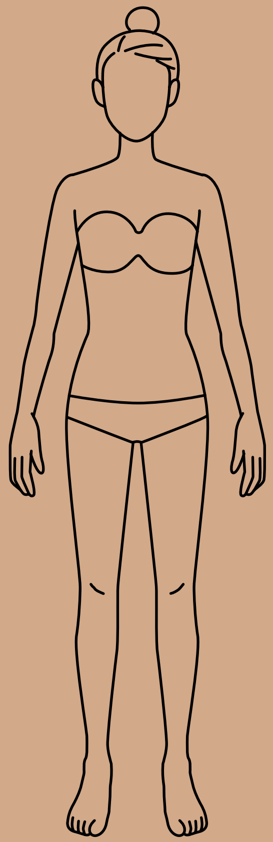
In addition to AD itself, many patients experience associated comorbidities such as allergic conditions, asthma, rhinitis, metabolic disorders (e.g., diabetes), cardiovascular and mental health conditions (e.g., depression and anxiety).

AD is a highly prevalent disease that usually begins in childhood with

90%

of AD patients being diagnosed at the age of five.[2]

Most problematic life-altering symptoms of AD[3]
(by share of responders)



79%
Itch

47%
Red inflamed skin

29%
Sleep disturbance

19%
Oozing or crusting

23%
Dry, sensitive skin

* EU5: UK, Germany, France, Italy, Spain.
1 Evaluate Pharma (2023).
2 Silverberg et al. (2017).
3 More than deep skin eczema.

Treatment of atopic dermatitis

There is no cure for atopic dermatitis (AD). Despite advancements in the treatment landscape, no safe oral treatment with good efficacy exists.

Treatment of AD depends on the progression and severity of the disease. Patients are generally treated with topical or systemic (oral or injectable biological) treatments.

Topicals are used for all stages of the disease, whereas patients with more severe and widespread disease are typically also treated with systemic treatments.The injectable biological treatments approved for the treatment of AD have had a substantial positive impact for patients. However, many patients on biological treatment still do not receive satisfactory response, indicating that more mechanism of actions are needed. Furthermore, biologics generally has a slow itch-relief.

The first approved oral therapies, janus kinase inhibitors (JAK's), were approved for AD in 2022. Due to safety concerns with the drug class, they are typically the treatment of last resort. There are currently no approved oral therapies for AD without safety warnings, and a large unmet medical need remains for safe oral treatments.

Orismilast as a first-in-class oral treatment
UNION is developing orismilast for the treatment of moderate to severe AD. Orismilast is currently tested in a Phase 2b study (ADESOS) where patient enrollment was completed in September 2023. Topline results are expected in the first half of 2024.

The FDA has granted Fast Track designation to orismilast for the treatment of AD due to the significant unmet medical need and potential of orismilast as a safe oral treatment.

Patient story

Living with atopic dermatitis

Amalie is a 26-year-old woman studying to become a chiropractor. The eczema not only affects her psycially but also mentally.

Amalie has had eczema since early childhood, but it was not until she became 22 that she was diagnosed with severe atopic dermatitis (AD). This was after a period of eczema rapidly spreading from her face to her neck, scalp, and other regions of the body.

The disease has greatly impacted Amalie's quality of life. The itching and burning sensations were constant, intense, and disrupted Amalie's sleep and studies. Amalie describes the itch as so torturous that she scratched day and night until she bled. Simple movements stretched and cracked her inflamed skin, and she could not sleep or concentrate due to the relentless urge to scratch. She did no physical activities as this would only worsen the itch and scratching.

The eczema not only affects her physically but also mentally. When the eczema was at its worst and during times of flares, Amalie felt depressed and avoided social activities, covering herself with hats, masks, and scarves to hide her appearance. Treating herself with thick ointments did not make it any better as Amalie felt like she resembled a "living disco ball", due to her shiny skin.

Amalie has started a new systemic treatment, which has reduced her itch allowing her to sleep, heal her skin, and participate more fully in life but Amalie still battles monthly flare ups.

Accepting living with a chronic disease has made Amalie more open with friends and family about her condition. She looks to the future with hope but remains concerned about the need to pause treatment if she decides to have children one day.

"Atopic dermatitis affects my life physically and mentally. It has been a long process accepting that I have a chronic disease and accepting that the itch will always be there."

Hidradenitis suppurativa

Hidradenitis suppurativa (HS) is a chronic progressive inflammatory skin disease that causes painful lumps under the skin often in the armpits and around the groin, buttocks, and breasts. For most people with HS, pain is the most debilitating symptom.

1.9m

adults diagnosed with moderate to severe HS in 2023 the US, EU5* and Japan.[1]

The clinical hallmarks of HS include very painful inflammatory nodules, boils or abscesses that typically open and release odorous inflammatory fluids.
In the more chronic form of the disease, patients experience draining fistulas (funnels forming in the skin), which ultimately lead to scarring and related functional disability in certain areas.

Burden of living with HS

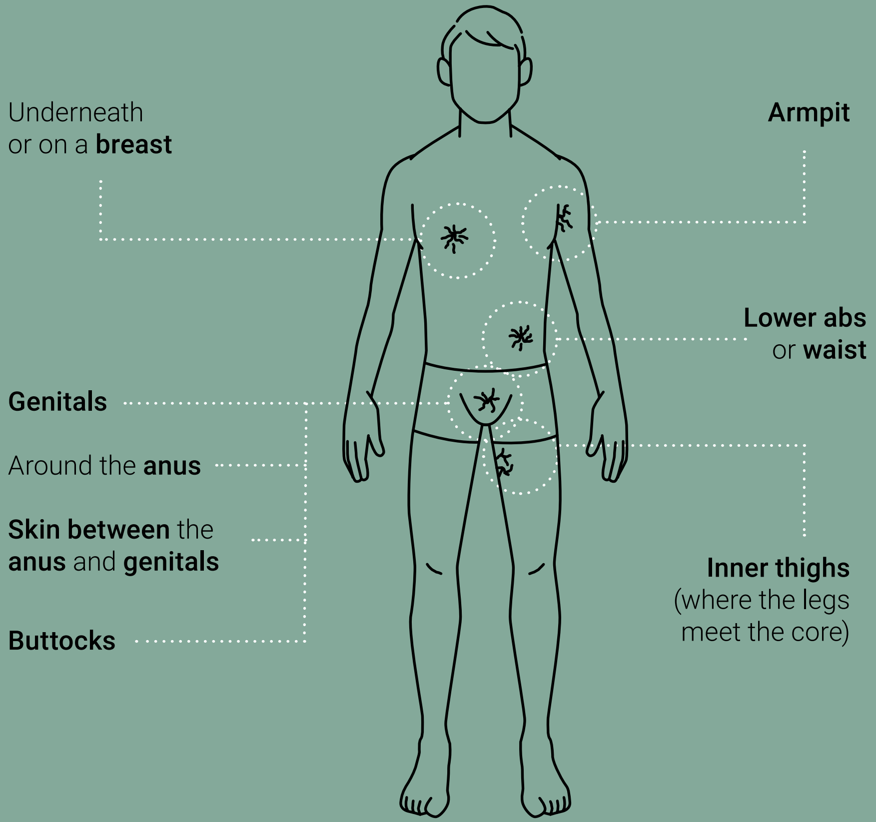
HS is a progressive disease in the sense that severity of the disease typically worsens over time. This is in part due to the scarring of tissues, that makes the lesions and abscesses increasingly difficult to treat. The pain caused by constant formation of pus, often requiring the use of bandages and diapers often resulting in social isolation.

Living with chronic pain and isolation is a tremendous burden. In addition to HS itself, patients also experience comorbidities, such as cardiovascular diseases, diabetes, and inflammatory bowel disease. Moreover, patients with HS report feelings of depression and anxiety. HS patients' quality of life, including work productivity, is greatly affected.

* EU5: UK, Germany, France, Italy, Spain.
1 Evaluate Pharma (2023).
2 Academy of Dermatology Association.

HS develops where skin touches skin[2]

The exact cause of hidradenitis suppurativa is unknown, but the lumps develop because of blocked hair follicles, making HS often looking like pimples or boils.



Treatment of hidradenitis suppurativa

There is no cure for hidradenitis suppurativa (HS). A large unmet medical need remains with very few treatment options available and no oral treatments approved.

Treatment of HS is specific to the severity of disease. For mild HS there are no treatments approved, and for patients with moderate to severe HS there are currently only two drugs approved in the US and the EU. However, the general standard of care for many patients with HS are off-label, anti-inflammatory and hormonal treatments which often provide only temporary symptomatic relief. Antibiotics may not target the underlying inflammation and their usage is associated with resistance development.

In case of insufficient response to pharmacotherapy, patients also undergo different types of surgery, from removing smaller boils to transplanting skin across larger areas.

Orismilast as a first-in-class oral treatment

UNION is developing orismilast for the treatment of moderate to severe HS. Results from the Phase 2 study (OSIRIS) supports the potential of orismilast as a first-in-class oral treatment with broad anti-inflammatory effects providing a good fit to disease pathology and potential to reduce need for biologics, off-label antibiotics usage and surgery.

The FDA has granted Fast Track designation to orismilast for the treatment of HS reflecting the significant unmet medical need for a safe oral treatment.

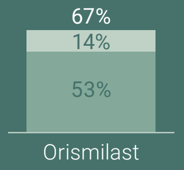
Positive Phase 2 results

In June 2023, positive topline results from the OSIRIS investigator-initiated Phase 2 study with orismilast in adult patients with HS were announced.

The study demonstrated clinically relevant improvements in HS for patients who completed the planned 16 weeks of treatment with orismilast. Importantly, the improvements included reduction of pain (Global Pain Assessment) and improvement in patient-reported quality of life.

Most responders had moderate or severe HS at baseline, including several prior failures to biologics treatment. The conclusion on the doses (10-40mg) explored is consistent with the findings from the IASOS Phase 2b dose-finding study in psoriasis (see page 22).

Share of HiSCR50* responders (%, EoT)



Mean reduction in Global Pain Assessment (%, BL-EoT)

Completers (n=9)   mLOCF* (n=17)

*) HiSCR50 is defined as ≥50% decrease in AN count with no increase in the number of abscesses and/or in the number of draining fistulae compared with baseline.

**) Orismilast range based on completers (n=9) and a modified LOCF (Last observation carried forward) (subjects with ≥ 2 weeks of treatment (n=17).

Presentations and publications

The study results were presented by the sponsoring investigator at a late-breaking session at the European Academy of Dermatology and Venerology (EADV) Congress in October 2023. Additionally, results have been published in the peer-reviewed Journal of European Academy of Dermatology and Venerology (JEADV).

Patient story

Living with hidradenitis suppurativa

Sara is a 31-year-old woman living with HS. The high degree of pain and fatigue makes it difficult for Sara to maintain a normal quality of life.

Sara first noticed symptoms of what would later be diagnosed as HS when she was 15 years old. During these years, she developed painful boils and abscesses in her armpits, groin, and other areas, which she hid from others out of fear and shame.

Sara's obesity and boils made her feel ashamed, and she did not want to be examined by a doctor. When she finally did, it took a lot of courage, and the doctor simply told her to wash herself with antibacterial soap. It did not help, and it took years before Sara again had the courage to show the boils to a doctor.

The disease has had a significant impact on her self-esteem and caused her to avoid relationships and activities like sports that might reveal her disease.

For Sara, the constant, severe pain and drainage from the abscesses is unbearable at times. The pain keeps her from sleeping well, making her exhausted during the day. Living with pain and fatigue on a daily basis has made it very difficult for Sara to maintain a normal quality of life or a full-time job over the years.

Sara finds new boils appearing from time to time and treatments provide limited relief. She has tried many different types of treatment, and none of them seem to help her. Now she has found a doctor that knows the disease, understands her situation, and says that they will keep trying to find a treatment to help her. This gives Sara hope.

More than anything, Sara wishes the HS would go away entirely so she could live a normal, active life unburdened by constant pain and embarrassment.

"I have accepted that my disease will not go away, and that I will never live a normal life. Pain and fear are part of my life. I feel isolated and with only limited options as the disease dictates my life. It is really a mean disease."

Psoriasis

Psoriasis is a chronic, systemic, inflammatory skin disease that causes thick, red, and scaly plaques. Plaque psoriasis is the most common type and can appear on any area of the body, but most often appears on the scalp, knees, elbows, trunk, and limbs.

In addition to the direct clinical challenges of psoriasis, it has been documented that patients with plaque psoriasis suffer substantial psychosocial impacts from their disease, including social stigma, feelings of rejection and shame, guilt, impaired sexual intimacy, discrimination in the workplace, difficulty finding employment or working outside the home, financial hardships, increased work absenteeism and reduced productivity.

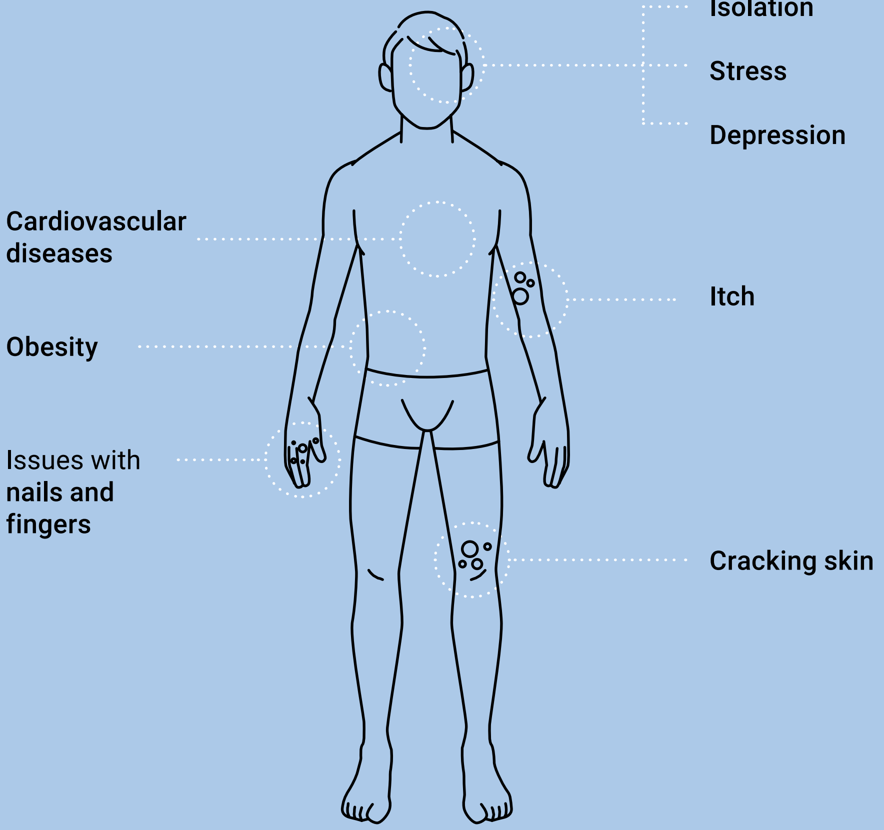
Burden of living with psoriasis
Patients with psoriasis may experience substantial morbidity and increased rates of inflammatory arthritis, cardiometabolic diseases, and mental health disorders.

Patients with moderate to severe psoriasis are frequently stigmatized and excluded from normal social environments. Patients commonly report experiencing loneliness, isolation, and feelings of being unattractive. As such, there is a significant cost to mental well-being, such as high rates of depression.

8.3m

adults diagnosed with moderate to severe psoriasis in 2023 in the US, EU5* and Japan.[1]

Psoriasis impact on every day life[2]



* EU5: UK, Germany, France, Italy, Spain.
1 Evaluate Pharma (2023).
2 National Psoriasis Foundation.

Treatment of psoriasis

There is no cure for psoriasis. Depending on the severity of the disease, treatments are selected in a stepwise manner.

Psoriasis can be managed by topical, oral, and injectable biological treatments as well as phototherapy. Topicals are mainly used for patients with mild psoriasis whereas patients with moderate to severe psoriasis often require treatment with systemic therapies which can be either oral medications or injectable biologics. Biological treatment requires screening and monitoring, and patients must learn how to self-inject. This along with price is a barrier for uptake.

There are few oral treatments available today and new drugs with improved efficacy are needed.

Orismilast as a best-in-class oral treatment
UNION is developing orismilast as a potential best-in-class oral treatment with improved efficacy, while retaining well-estbalished safety profile of the PDE4 class already documented in psoriasis. Results from Phase 2b study (IASOS) confirm this potential.

"A strong unmet need remains for oral medicines in psoriasis, as many patients are undertreated or are dissatisfied with current options."

Prof. Richard Warren
MBChB (hons), PhD, FRCP, Dermatology Centre Lead and Director of the Dermatopharmacology Unit, The University of Manchester, and Lead Investigator of the Phase 2b study

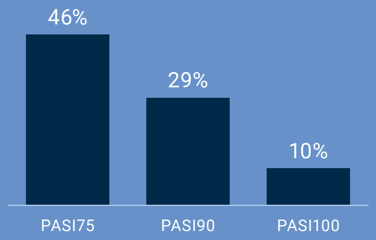
Positive Phase 2b results

In January 2023, UNION announced positive topline results from the IASOS Phase 2b study with orismilast in adult patients with moderate to severe psoriasis. 202 adult patients with moderate to severe psoriasis were included across 31 sites in Germany, Poland, the United Kingdom and the United States and randomized to three active doses and placebo administered twice daily.

Orismilast showed a statistically significant improvement in percentage Psoriasis Area and Severity Index (PASI) reduction from baseline to week 16 for all doses. The benefits in change of PASI were observed early, and already significant at the first point of measure at week 4.

The data supports the target product profile of orismilast and confirm the well-established favorable safety profile of PDE4B/D inhibitors.

PASI75, PASI90 and PASI100 scores



PASI75, PASI90 and PASI100 scores, wk 16, 20/30mg (weight-based), BID (NRI) for orismilast

Presentations and publications

Key results from the IASOS study were presented at the March 2023 American Academy of Dermatology (AAD) Congress and published in the Journal of the American Academy of Dermatology.

Ulcerative colitis

Ulcerative colitis (UC) is a chronic, inflammatory bowel disease (IBD) in which abnormal reactions of the immune system cause inflammation and ulcers on the inner lining of the large intestine. Patients with UC experience times of remission when symptoms disappear for weeks or years, followed by relapse when symptoms return.

During periods of relapse patients experience a significant impact on their everyday lives with symptoms including pain, risk of bleeding, blood in the stool, diarrhea, fecal incontinence, and fatigue. Patients with UC might also experience symptoms and complications outside the colon e.g., with their eyes, skin, and/or joints.

High disease burden in a growing population
Living with UC can have a high impact on life. Work, school, social life, and ability to participate in sports/physical exercise are areas often affected. The most common reasons for declining participation in activities are bowel urgency, fear of bowel urgency and pain. Impairment of the ability to work increases with disease activity. The incidence of UC is increasing worldwide and as UC requires lifelong medical management, lifetime costs can be high.

1.8m

adults diagnosed with moderate to severe UC in 2023 in the US, EU5* and Japan.[1]

* EU5: UK, Germany, France, Italy, Spain.
1 Evaluate Pharma (2023).

Treatment of ulcerative colitis

There is no cure for UC and a need for safe oral treatments with improved efficacy remains.

Treatment of UC is specific to the severity of the disease. Mild to moderate patients with UC are treated with amino salicylates, corticosteroids, or immuno-modulators to reduce inflammation. Patients with moderate to severe UC are often treated with immuno-suppressants, biologics, or a combination of treat-ments. Patients with severe UC that do not respond to treatment, or if complications such as colon cancer develops, are referred to surgery.

Orismilast a first-in-class oral treatment

In January 2024, the first patients were enrolled in the Phase 2, investigator-initiated study UCORIS of orismilast in adult patients with moderate to severe UC.

Understanding ulcerative colitis and how it impacts patients' lives

Ulcerative colitis (UC) is a chronic inflammatory bowel disease that causes inflammation and ulcers (sores) in the lower digestive tract, i.e. colon and rectum. Patients can experience bloody diarrhea, abdominal pain, fatigue, and an urgent need to defecate.

Johan Burisch

MD, PhD, DMSC, University hospital of Hvidovre, Denmark

The exact cause of UC is unknown, but it likely involves environmental, genetic, and autoimmune components. Younger patients often ask if they change their lifestyle could they overcome the disease., but the vast majority of patients will need medical therapy.

Depending on the severity of UC and patient preferences, the treatment is tailored accordingly. Mild cases can often be managed with mild anti-inflammatory medications taken orally or rectally. More severe cases may require potent immunosuppressants, injectable biologics like anti-TNF medications, or newer oral JAK inhibitors.

Overall, treatments aim to induce a rapid clinical response and maintain remission, ideally healing the ulcers and preventing long-term disability. However, UC can progressively damage the colon over time for some patients, eventually necessitating colectomy surgery to remove all or part of the colon. After colectomy, patients no longer suffer from colonic inflammation but might require an ostomy bag, depending on the surgery.

Many patients with UC do not only suffer from the disease but also from diseases outside of the gastrointestinal tract. These extra-intestinal manifestations occur in 20–35% of patients and preceding intestinal symptoms in up to 25% of patients. Among them, the most common is in the joints (peripheral arthritis); other organs affected can be the eyes, skin and liver.[1]

There is no doubt that UC greatly impacts patients' quality of life as the inflammation is continuous and quite painful. Patients have difficulty controlling their bowels, often experiencing incontinence, and needing to rush to the bathroom frequently. This often creates feelings of shame, limits the ability to work, study, travel and engage in daily activities.

"Despite the treatment options available today, an unmet medical need persists for treatment of moderate-to-severe UC, and especially for a safe oral treatment without the need for regular screening and monitoring by the treating physician."

1 LeBerre et al. (2023).

Sustainability and ESG

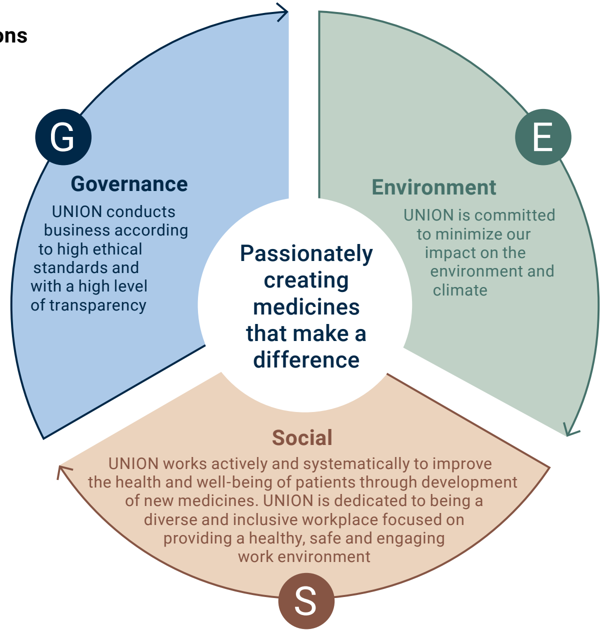
"UNION is a great workplace with talented and competent colleagues. Being a biopharmaceutical company, I feel it is very agile, enabling short turnaround time and fostering great collaboration by supporting cross-functional approaches while minimizing working in silos."

Sven, Clinical Trial Manager.

Sustainability strategy and ESG focus areas

At UNION, our work is anchored in our core purpose: Passionately creating medicines that make a difference. By focusing on our purpose, UNION is working to improve the standard of care across a range of immunological diseases while improving the lives of patients and creating long-term value for all our stakeholders.

ESG ambitions



UNION's Sustainability strategy and Environment, Social and Governance (ESG) focus areas are part of the company's patient-centric vision around passionately creating medicines that make a difference and is part of UNION's commitment to be a sustainable company. Contributing positively to society has always been embedded in UNION's business and way of working. As the company has matured, it has defined and developed its sustainability efforts. This has also been the case for 2023, where the ESG strategy and focus areas have been further refined to focus on areas most relevant to our core business:

- Environmental sustainability
- Putting patients first
- Good working environment, employee's well-being and diversity
- Governance and business ethics

UNION's environmental sustainability efforts are centered around CO_2 emissions, including estimation of CO_2 emission baselining and improving data accuracy. The patient-related social efforts are centered around putting patients first and focused on disease awareness and patient engagement. The employee-related social efforts have focused on further embedding the company culture, The UNION Way, and stimulating a diverse and inclusive workforce. With respect to governance and business ethics, the objectives have been to integrate environmental and social efforts with the corporate governance framework.

Reporting framework
UNION adheres to the requirements of sections §99a and §99b of the Danish Financial Statements Act and complies with relevant laws, standards, and guidelines for reporting on ESG activities. The "Sustainability and ESG" and "Corporate matters" sections constitute UNION's statutory reporting on corporate responsibility and gender distribution in management.

UNION reports in accordance with current legal disclosure requirements. Additionally, UNION seeks inspiration and guidance for relevant ESG measurements and metrics in standards not legally required.

Commitment to UN's Sustainability Development Goals
UNION is committed to addressing global challenges through support of UN's Sustainable Development Goals (SDGs). Three goals (goal: 3: Good health and well-being, goal 10: Reduced inequalities and goal 13: Climate action) have initially been identified as primary areas of focus for the company. Additional goals may be considered as the company evolves.

Environmental sustainability

UNION's commitment to environmental sustainability centers around transparent reporting of its CO_2 footprint, enhancing the accuracy of data, and actively collaborating with suppliers across the value chain.

Science-based carbon accounting
As a search and development biopharmaceutical company UNION does not have any production or inventory facilities. Clinical trials are decentralized and performed by third party contractors. UNION's only facilities are leased office premises in Copenhagen. Consequently, UNION have not identified material risks related to changes in climate and environment. However, UNION still has a share in the global responsibility to reduce climate impact.

UNION is collaborating with a global leader in science-based carbon accounting to estimate and track the company's CO_2 footprint according to the Greenhouse Gas Protocol. The Greenhouse Gas Protocol is the world's most recognized greenhouse gas accounting standard and covers scope 1 (direct emissions from owned assets, e.g. vehicles and fuel use from production sites), scope 2 (indirect emissions from purchased energy, such as electricity and heating) and scope 3 (indirect emissions not already included in scope 2, e.g. emissions from purchased goods and services, transport and business travel). As UNION does not have any production sites, UNION's emissions are primarily scope 3 emissions.

UNION has estimated its CO_2 emissions using spend-based estimates for purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and business travel except business flights in scope 3. Estimates of CO_2 emissions for electricity and heating in scope 2 and business flights and employee commuting in scope 3 are activity based. To improve data accuracy, spend-based estimates are currency adjusted.

UNION continues to improve data quality and strive to engage suppliers and partners to obtain a scope 3 carbon footprint with an acceptable level of accuracy, although we acknowledge that carbon footprint mapping is inherently uncertain. This calculation will be foundational in establishing the baseline for determining climate ambitions, targets and emissions reductions.

Small decrease in CO_2 emissions from 2022 to 2023
In 2023, UNION reported positive results from two clinical trials, IASOS and OSIRIS, respectively. Due to the finalization of patient enrollment in 2022, UNION's general activity level has decreased from 2022 to 2023. As a consequence, UNION's total CO_2 emissions have decreased 46% to 2,156 tons CO_2 -equivalent in 2023 (2022: 3,969 tons).

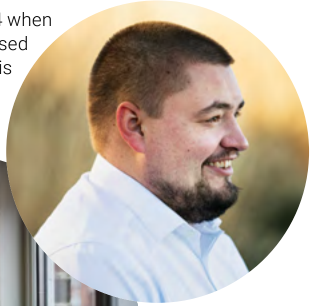
Almost 100% of UNION's emissions are scope 3 emissions. Scope 3 CO_2 emissions have decreased 46% to 2,154 tons CO_2-equivalent in 2023 (2022: 3,952 tons). In addition to the decrease in activity level, the decrease in reported CO_2 emissions is also reflecting an improvement in data quality.

Scope 2 emissions have decreased 88% to 2 tons CO_2-equivalent in 2023 (2022: 17 ton) due to improvement in data quiality.
UNION does not have any scope 1 emissions.

Putting patients first

Insights from and close collaboration with patients, patient organizations and leading experts are an important part of our business.

Sara is a 31-year-old woman living with HS



Frederik was 24 when he was diagnosed with psoriasis

Ole is a 40-year-old man living with hidradenitis suppurativa (HS) and psoriasis.

Amalie is a 26-year-old woman living with atopic dermatitis

See chapter 2 "Our business" for patient insights on the burden of disease.

Close interaction with patients

UNION interacts with individual patients and patient organizations to better understand the unmet medical needs among patients and to get insights that are important for the company's work with pharmaceutical innovation and clinical development. This can be in relation to drug delivery and ease-of-use of the drug or with respect to endpoints and the patient reported outcomes in clinical studies.

Raising awareness about the burden of disease

UNION is committed to the development of safe and effective medicines that can help improve quality of life among patients suffering from immunological diseases. These include patients living with atopic dermatitis (AD), hidradenitis suppurativa (HS), psoriasis and ulcerative colitis (UC).

UNION acknowledges the important role that patient organizations have in speaking up about the burden of disease. UNION is a member of the Danish patient organizations for AD (Atopisk Eksem Forening), HS (Patientforeningen HS Danmark), psoriasis (Psoriasisforeningen Danmark) and UC (Colitis-Crohn Foreningen).

UNION also works to stimulate disease awareness externally including through communication, but also through e.g., community-based events. One example being at the World Atopic Dermatitis Day on September 14, 2023, UNION arranged an internal campaign named; "We move for AD". UNION employees were encouraged to be physically active; bike, walk, run etc. in an effort to raise awareness of AD. Physical activity is an important ally in the treatment of inflammatory skin disorders such as AD, as it has positive effects on the mood and mental well-being.

Collaborating with leading experts

A key factor in developing relevant new treatment options is a strong collaboration with leading experts in the field. Their guidance is needed to secure the clinical relevance of UNION's activities and address current unmet needs in patient care. The collaboration is set up in line with established ethical standards and regulations. In 2023, UNION engaged with over 50 experts including smaller groups of advisors within each disease area: AD, HS, psoriasis and UC.

Innovation to the benefit for patients

In 2023, UNION further progressed the clinical development of its lead compound, orismilast, to the future benefit of patients. UNION's product candidates are supported by a strong patent estate consisting of 309 granted patents as of December 31, 2023 (December 31, 2022: 250).

As a search and development company, it is the very core of UNION's business to conduct clinical trials. Throughout 2023, patients have been enrolled in the ADESOS Phase 2b study with orismilast for the treatment of AD. In September 2023, patient enrollment was completed for this study. A total of 235 patients were enrolled in the study throughout 2022 and 2023.

In 2023, an investigator-initiated, Phase 2 study (UCORIS) with orismilast for the treatment of ulcerative colitis was initiated. The first patients were enrolled in January 2024.

UNION is focused on enrolling patients from a diverse set of countries. However, UNION acknowledges that some communities are often underrepresented in clinical studies. Engaging with patient organizations, UNION wants to help remove barriers to participating in studies.

Safety of clinical trial participants

Patient safety has the highest priority at UNION. UNION applies the highest ethical standards in the conduct of research, development, non-clinical and clinical development and manufacturing activities, adhering to regulatory guidelines and requirements. In all activities related to the development and supply of investigational medicinal products, compliance with applicable laws and regulations designed to ensure the safety and quality of products, including reporting of safety information, is essential.

UNION has established a quality management system with formalized processes and procedures to ensure compliance with relevant regulatory requirements. The main purpose of the quality management system is to ensure that investigational medicinal products and new medicinal products are of the quality required for their intended use. The majority of business activities at UNION are outsourced to contract development and manufacturing organizations, contract research organizations and other suppliers or service providers. Therefore, UNION has established the necessary vendor management and oversight activities.

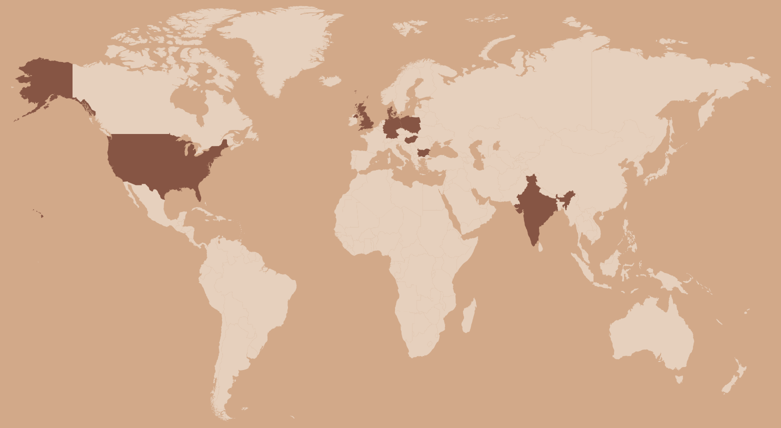
Making a difference for patients

As part of UNION's market access and affordability strategy, the company is committed to:

- Exploring opportunities by initiating expanded access programs in which UNION could provide patients with access to UNION's investigational products through long-term clinical trials.
- Evaluating responsible pricing approaches to provide underserved patient populations with access to UNION's products when being approved and launched.
- Establishing and strengthening UNION's collaborations with regional and global patient organizations to support research activities and enhance disease awareness among healthcare professionals and patient communities.

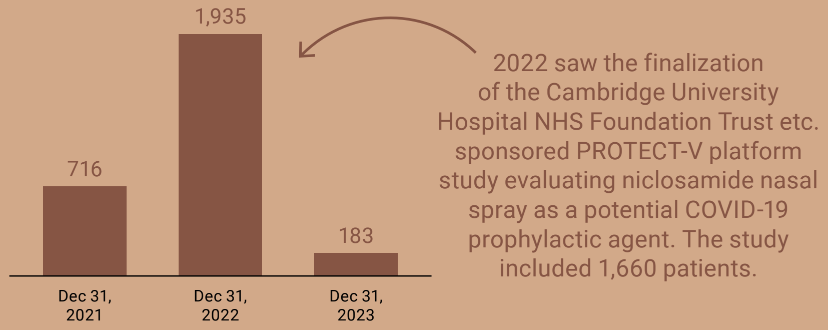
Clinial trial diversity

As a result of the clinical development progress, patient enrollment has been from a diverse set of countries across 2021-2023.



Enrolled patients in clinical trials

(at year end)



Our people

Our company culture, codified in The UNION Way, defines our way of working and is, together with the well-being, competency development and commitment, key to realizing the ambitious goals of UNION.

The UNION Way

UNION prides itself on the ability to work together as one team and foster a strong company culture founded on the core values “Fuel ambition”, “Drive execution” and “Collaborate to win”. Shaping a dynamic company culture and developing a shared language around The UNION Way, including the purpose, values, and virtues of the company, have been and will continue to be important steps.

Healthy and meaningful workplace

UNION has established a Work Environment Committee who is committed to facilitating work environment and office assessments and addressing health- and safety-related matters.

UNION is committed to being an employer with competitive terms of employment, excellent health and safety standards, and a motivating and inspiring work environment. Initiatives promoting employee welfare include remote working allowance for employees to purchase relevant workstation equipment and enabling the continued flexibility to work from home in an ergonomically safe manner.

To continuously ensure that UNION is a good workplace, twice a year, UNION’s employees have the opportunity to provide formal feedback regarding key areas by way of the employee meaningfulness survey. In the latest survey in October 2023 93% of the employees participated. The result of the survey was 4.22 (out of 5). Most importantly the survey provides vital information regarding areas needing improvement and which areas are considered to work well. This information is translated into tangible actions and initiatives for the entire organization following the survey.

Organizational development

UNION has grown over the last few years, from 11 employees as of December 31, 2019, to 30 employees as of December 31, 2023. Compared to 2022, this is a reduction of 11 employees (turnover rate of 31%, 2022: 9%) reflecting adjustment to current activity level following down-prioritization of the niclosamide program

20 employees work in Research and Development and related functions, while 10 employees work in general and administrative functions. 15 employees are male, and 15 employees are female. The gender diversity, the diverse age range among employees, as well as the multitude of nationalities in addition to Danish, and diversity concerning educational backgrounds ensure that different perspectives, knowledge, and experience are integrated in the decision making.

Gender distribution in management

This section constitute the statutory reporting on gender distribution in management cf §99b of the Danish Financial Statements Act.

The registered Executive Management at UNION consists of four members who are all male. The extended management team, which includes the Executive management and other positions at the same organizational level as Executive Management, consists of six men and one woman. Other managerial positions, defined as the extended management team and positions with people responsibility referring to members of the extended management team, include nine men and three women.

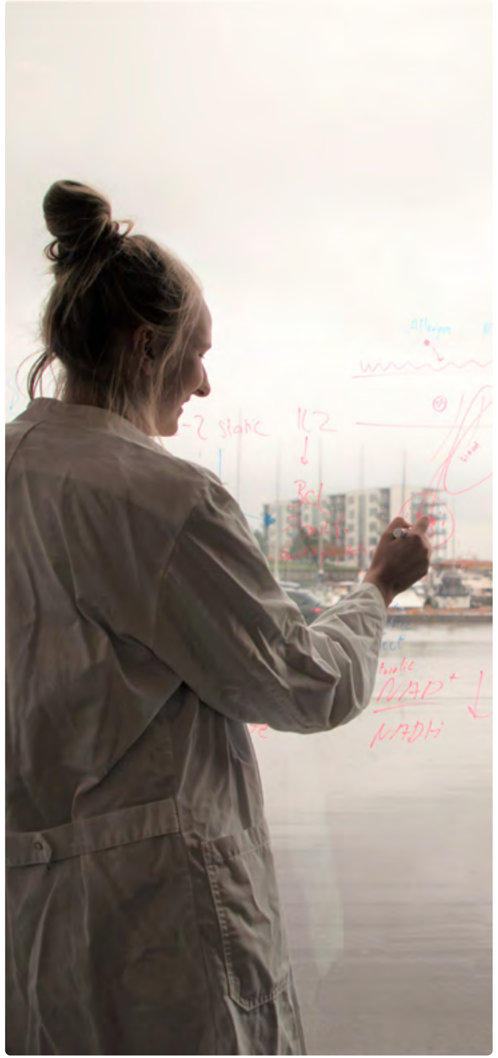
The Board of Directors at UNION consists of seven members, including four Danish nationals and three non-Danes. Five board members are independent, whereas the two founders, who are also part of the management team, are not considered independent. With five male board members and two female board members, UNION meets the Danish Business Authority's guidelines for board gender composition.

Throughout the year, UNION has had focus on diversity and inclusion, leading to the introduction of new recruitment guidelines, ensuring that all candidates are treated fairly and evaluated based on diversity. The Diversity Policy has been updated to also set targets for the under-represented gender for the management team. UNION's Diversity Policy aims to improve the gender balance in all managerial functions by, for example, ensuring that both genders are represented in the final stage of the recruitment process when possible.

Gender distribution in management*

	2023	2022	2021
Board of Directors			
Members in total	7	7	7
Gender balance**	29%	29%	29%
Other managerial positions			
Members in total	12	14	13
Gender balance**	25%	29%	23%

* As UNION employs less than 50 employees, targets are not provided for Other managerial positions in this report.
** Measured as proportion of females out of the total.



Corporate governance

UNION is committed to conducting business with high integrity and transparency.

UNION is committed to do business with high integrity and ethical behavior in all aspects of our business and requires all employees to comply with applicable laws and regulations.

UNION's policies are reviewed and updated on an annual basis. The policies govern the rules, standards and ethical principles that employees and UNION as an organization must adhere to. UNION's ESG related policies include the Sustainability policy, Diversity and Inclusion policy, Anti-Bribery and Anti-Corruption policy, as well as Code of Conduct.

The Sustainability policy describes the company's principles and values with respect to the environment, human rights, and business ethics. UNION is committed to respecting human rights and labor rights in alignment with the Universal Declaration of Human Rights.

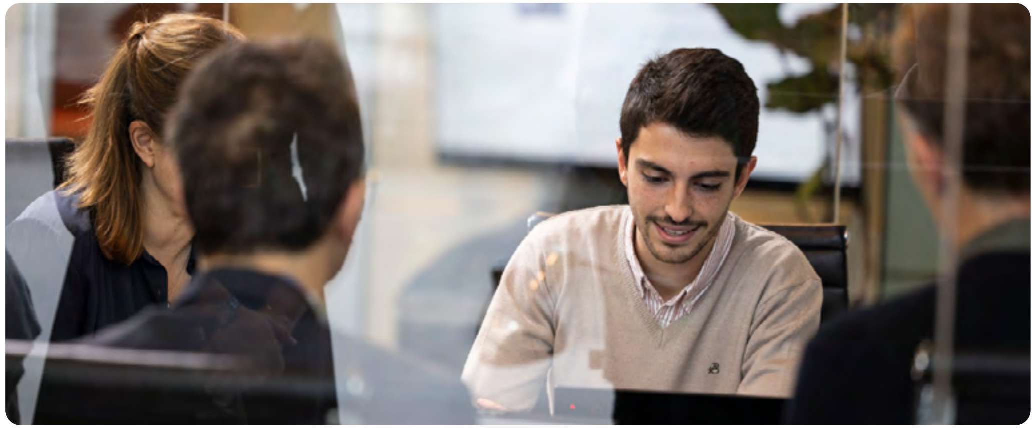
UNION's Diversity and Inclusion policy describes the company's principles for ensuring that the composition of the Board of Directors, Corporate Management and the organization is diverse in terms of experience, competencies, nationality and gender, and additionally how the company maintains an inclusive culture while respecting all individuals.

UNION's Anti-Bribery and Anti-Corruption policy, ensures that the company's activities are ethically conducted and carried out with integrity. In 2023, there have been no identified cases of corruption or bribery. Additionally, UNION is not aware of lawsuits and/or investigations regarding corruption or bribery involving UNION.

The Code of Conduct provides ethical guidelines for all employees and the Board of Directors when conducting business on behalf of UNION and promotes adherence to the highest standards of business integrity across everything done at UNION. It engages and inspires all employees to consider how everyday activities should be conducted in a manner reflecting our core values of innovation, determination, integrity, and teamwork.

For more information about the potential impact of key risks identified and the mitigating actions.

Go to pages 37



In 2023, a new validated Electronic Document Management System (EDMS) has been implemented for managing, organizing and archiving of electronic GxP documents. Moreover, the system is used for documenting training in GxP procedures. As of December 31, 99% of GxP training has been completed while 100% of training in non-GxP policies has been completed.

Two-tier management structure

UNION has a two-tier management structure composed of the Board of Directors and Executive Management. The Board of Directors is responsible for the strategy, organization of the company as well as for the supervision of the Executive Management. Executive Management is responsible for the daily management of the company, including strategy execution and management of the organization.

The Board of Directors consists of no less than five members and no more than nine members. Currently it consists of seven members. The members of the Board of Directors are elected at the Annual General Meeting for a period of one year. The composition of the Board of Directors and Executive Management must ensure that the combined competencies enable them to guide and oversee UNION's development, and address and resolve the issues and challenges facing UNION at any given time.

The individual competencies of the members of the Board of Directors and Executive Management are described in the Board of Directors and Executive management overviews.

Number of meetings and meeting attendance in 2023

Name	Nationality	Independence	Meeting attendance in 2023*
Stig Løkke Pedersen, Chair	Danish	Independent	●●○●●●●●●
Arthur Higgins, Deputy Chair	British/American	Independent	●●●●●●●●●
Andrew J. Oakley	Australian	Independent	●●●○●●●●●
Dr. Jutta Heim	German/Swiss	Independent	●●●●●●●●●
Gitte Pugholm Aabo	Danish	Independent	●●●●●●○●●
Dr. Rasmus Toft-Kehler	Danish	Not independent	●●●●●●●●●
Dr. Morten Sommer	Danish	Not independent	●●●●●●●●●

● Attended ○ Absent

* Attendance for face-to-face and virtual meetings only.

Corporate matters

"Psoriasis can negatively influence my mood especially when I think about getting one of the comorbidities associated with psoriasis such as cardiovascular diseases or diabetes."

Frederik, diagnosed with psoriasis.

Executive Management

Dr. Kim D. Kjøller

Co-Chief Executive Officer

Born 1967, Danish

Dr. Kim D. Kjøller joined UNION in 2021. He brings more than 20 years of experience from various senior executive positions in the pharmaceutical industry, of which the last 10 years were in dermatology.

Before joining UNION, Kim was EVP and Head of R&D at LEO Pharma. Kim previously held senior positions in Strategic Marketing, Medical Affairs, Global Development and General Management at Sanofi, Lundbeck, and Sanofi Pasteur MSD.

Kim is an MD from Copenhagen University and has authored and co-authored over 35 scientific publications and given presentations at both scientific and pharmaceutical marketing meetings globally.

Dr. Rasmus Toft-Kehler

Co-founder, Co-Chief Executive Officer and member of the Board

Born 1980, Danish

Rasmus Toft-Kehler is co-founder of UNION. Rasmus has extensive leadership and strategic development experience from founding and building companies in the life science industry, and he is co-founder and board member of multiple biotechnology and life science companies.

Before going into biotech, Rasmus worked in investment banking and in management consulting, e.g. Goldman Sachs and Booz Allen Hamilton, and acted as board member of a family-owned company that was sold in 2005.

Rasmus holds a Ph.D. in Entrepreneurship from Copenhagen Business School and executive education from Harvard Business School.

Morten H. Boesen

Chief Financial Officer

Born 1982, Danish

Morten H. Boesen joined UNION in 2018 as Chief Financial Officer. Prior to UNION, Morten worked at EQT, the largest private equity fund in the Nordics, initially as an investment professional and subsequently as an executive director in the EQT-owned global retailer Flying Tiger Copenhagen, where he held responsibility for strategy, business development as well as global commercial and supply chain operations.

Earlier in his career, Morten worked as a management consultant with McKinsey & Company, in the M&A advisory group of Nordea Bank and in the finance department of Novozymes, the world leader in industrial biotech.

Morten holds an M.Sc. in Finance and Accounting from Copenhagen Business School.

Dr. Morten Sommer

Co-founder, Chief Scientific Officer and member of the Board

Born 1981, Danish

Morten Sommer is the co-founder of several biotechnology companies specialized within the fields of drug development, industrial biotech and microbiome research.

Morten is also a Professor and Scientific Director at the Technical University of Denmark with a lab of more than 20 Ph.D.s and Post-Doctorial researchers, working with microbial foods and and the human microbiome.

Morten is a member of the board in Novozymes, Clinical-Microbiomics, SNIPR biome and UTILITY therapeutics.

Morten holds an M.Sc. in Physics from University of Copenhagen and a Ph.D. in Biophysics from Harvard University from the laboratory of Professor George Church.

Board of Directors

Stig Løkke Pedersen
Chair of the Board

Born 1961, Danish

Member since: 2017

Stig has more than 35 years of strategic, commercial and leadership expertise from the life science industry, holding senior positions at H. Lundbeck and Ciba-Geigy.

Stig is Chair of the Board and Board Member in several private and publicly listed biotechnology companies, including Dizlin AB, StemMedical and SSI Diagnostica. In addition, Stig is Operating Partner in the private equity fund Catacap.

Arthur Higgins
Deputy Chair of the Board

Born 1956, British and American

Member since: 2021

Arthur is a global executive with extensive business development, marketing and leadership expertise from large healthcare companies in the US and Europe, holding CEO positions at Bayer HealthCare and Assertio Therapeutics, and senior executive roles at Abbott Laboratories.

Arthur is a Senior Operating Advisor to Abu Dhabi Investment Authority, Director of Ecolab and ZimmerBiomet.

Gitte Pugholm Aabo
Member of the Board

Born 1967, Danish

Member since: 2021

Gitte brings extensive global leadership experience from the life science industry and a deep understanding of dermatology, marketing, and technology markets. Gitte was previously President & Chief Executive Officer of LEO Pharma and Chief Executive Officer at GN Hearing.

Gitte is a member of the Committee of Directors of Danmarks Nationalbank (the Danish Central Bank), board member of ALK-Abelló, and member of the board and the Executive Committee at Danish Chamber of Commerce (Dansk Erhverv).

Andrew J. Oakley
Member of the Board

Born 1962, Australian

Member since: 2019

Andrew is a global executive with more than 20 years of financial and capital markets experience, holding positions as Chief Financial Officer of Actelion, Vectura PLC, Sosei Group Corporation and Autolus Therapeutics PLC.

Andrew currently serves as Chief Financial Officer of Theolytics Ltd. and is a board member of Novaremed AG.

Jutta Heim
Member of the Board

Born 1951, German and Swiss

Member since: 2017

Jutta has more than 30 years of research experience within infectious disease, coagulation disorders and oncology. She has worked for more than 20 years at Ciba-Geigy/Novartis in Switzerland and the US, as well as in Basilea Pharmaceutica and Evolva.

Chair of the Board of Directors of Synendos Therapeutics, managing director of Aukera Therapeutics, advisor to Discovery bio group.

She is also a member of the scientific advisory board of the HZI, the infectious diseases institute of the Helmholtz association.

Dr. Rasmus Toft-Kehler
Co-founder, Co-Chief Executive Officer, Member of the Board

Born 1980, Danish

Member since: 2011

Rasmus has extensive leadership and strategic development experience from founding and building companies in the life science industry. Before going into biotech, he worked in investment banking and in management consulting.

Rasmus is the Co-Chief Executive Officer of UNION and co-founder of several companies. He is also member of the board at UTILITY Therapeutics.

Dr. Morten Sommer
Co-founder, Chief Scientific Officer, Member of the Board

Born 1981, Danish

Member since: 2011

Morten has extensive research and development experience working within the fields of drug development, industrial biotechnology and microbiome research. He has published more than 100 scientific publications and is an inventor of several issued patents.

Morten is the Chief Scientific Officer of UNION and holds the position as Professor and Scientific Director at the Technical University of Denmark. Morten is member of the board in Novozymes, Clinical-Microbiomics, SNIPR biome and UTILITY therapeutics.

Key risks

UNION is continuously monitoring the key risks it is exposed to. Failure to mitigate significant risks can potentially impact the development of the company's product candidates negatively, thus impacting future sales, profit and market position. The risks are diverse and range from failure to establish the efficacy and safety profile of the product candidates to not being able to attract and retain qualified employees, all with different likelihood and impact profiles.

	Description	Potential impact (non-exhaustive)	Mitigating actions (non-exhausive)
Clinical development risks	UNION's product candidates will go through lengthy and costly clinical trials to establish efficacy and safety profile before filing for approval with the relevant regulatory authorities. Clinical trials are generally associated with a high risk of failure. UNION could experience delays in completing clinical trials, denial or delay in obtaining regulatory approval, incur additional costs in clinical trials and ultimately fail to progress its candidate(s) towards the market. UNION is currently primarily focused on the clinical development of one product candidate, orismilast, in AD, HS, psoriasis and UC. Failure of orismilast, could have negative implications for the development of orismilast for other indications.	• Patients will not benefit from new treatments. • Potentially negative impact on sales, profit and market position.	• UNION's focus is molecules with well-established mechanisms of action and favorable safety profiles, implying that the clinical development risk is lower relative to molecules with mechanisms of action that have not been studied to the same extent. • UNION's clinical project teams work closely with contract research organizations to design and conduct the clinical trials and engage with regulatory authorities to get guidance on the development path. • UNION's management team has frequent program review meetings where Project Directors and the relevant functional leads in the project teams discuss the clinical development progress and associated risks. Risk management and prioritizations within and across programs are structured around a stage-gate model with defined milestones.
Product supply, quality and safety risks	Shortage of the investigational medicinal product or quality issues could mean that UNION is unable to continue the development of its product candidates.	• Product shortage or quality issues could result in delays and ultimately discontinuation of UNION's product candidates. • Potentially negative impact on sales, profit and market position.	• UNION's Chemistry, Manufacturing and Controls (CMC) and supply chain team works closely with contract development and manufacturing organizations. When issues are identified, UNION works closely together with the suppliers to find the cause of the issues and eliminate the issues in a timely manner.
People risks	UNION's ability to compete in the highly competitive pharmaceutical industry depends on its ability to attract and retain highly qualified managerial, scientific, medical, commercial and other personnel.	• UNION could be unable to continue the development of its product candidates, out-license or commercialize its product candidates or otherwise implement the business plan if key employees leave the organization and it is not possible to find suitable replacements in a timely manner.	• UNION is committed to being an employer with competitive terms of employment, excellent health and safety standards, and a motivating and inspiring work environment. • Ensuring knowledge is codified and anchored broadly across the organization to reduce dependency on individuals.

	Description	Potential impact (non-exhaustive)	Mitigating actions (non-exhausive)
Environ-mental risks	UNION is developing chemically or biologically derived pharmaceutical drugs requiring relatively carbon-intensive operational activities. Since activities such as manufacturing are outsourced, UNION has a low direct impact on the environment. However, the activities of contractors operating on behalf of UNION, do have an environmental impact, including CO_2 footprint.	• The indirect carbon emissions of UNION, representing the vast majority of the company's emissions, could have a negative impact on the environment. • High emission or inability to properly report emissions could lead to reputational damage.	• UNION has continously improved the data transparency and granularity of CO_2 emission estimates, thereby enabling a stronger foundation for identification of CO_2-minimizing initiatives going forward.
Business ethics risks	Partnerships and collaborations can bring significant benefits but also involve risks. The key business ethics risk includes violation by employees and business partners or contractors of our anti-corruption commitment, and human rights such as forced, child labor or human trafficking.	• Potentially legal and financial consequences from business ethics violation • Potentially negative impact on sales, profit and market position.	• Policies governing the rules, standards and ethical principles at UNION, for example anti-bribery and anti-corruption policy, sustainability policy and code of conduct are in place. Policies are reviewed and updated if needed on a yearly basis. • UNION strives to continuously advance the human rights and labor rights principles for the employees in UNION's own operations, as well as business partners, contractors, etc. • All UNION employees are encouraged to speak up if potential illegal or unethical business behaviors are detected or suspected.
Intellectual property risks	UNION could be unable to maintain or enforce intellectual property rights that cover the current product candidates. UNION could also face infringement claims or challenges by third parties.	• UNION could lose its competitive advantage if the company is unable to protect its intellectual property, whereas patent infringement claims could prevent development of the product candidates. • Potentially negative impact on sales, profit and market position.	• UNION owns a patent portfolio consisting of key patent families that include issued patents and pending patent applications worldwide, providing comprehensive protection of the company's product candidates. • UNION works closely with external patent counsels to minimize the risk of patent infringement against UNION and to ensure that UNION does not infringe on other companies' rights.
Financing risks	UNION is a clinical stage biopharmaceutical company and currently does not generate revenue from product sales. Hence, until such time where the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's research and development activities. Consequently, the risk exists that it will not be possible to attract such funding on attractive terms, or at all.	• Potentially negative impact on ability to continue development of the pipeline. • Potential impact on UNION's ability to continue as a going concern.	• UNION's management team regularily assesses the financial risks and takes necessary steps to ensure necessary funding of the Company. • Management believes that sufficient liquidity resources can be obtained in due time during 2024 to enable the company to continue its activities as planned through December 2024 and beyond. This could be in the form of issuance of new shares, entering license and research and development collaboration agreements, refinancing of current outstanding debt instruments, or a combination of such.
IT risks	IT systems are key to UNION's business operations. IT risks, such as cyber-attacks and infrastructure failure, could result in business disruption.	• IT risks could compromise patients', employees' and other individuals' privacy. • IT risks could limit UNION's ability to continue its business operations.	• UNION has appropriate protection from viruses and malware, and sensitive data is encrypted and subject to restricted use. The company works with external IT specialists to improve IT protection on a continuous basis and adjust to the rapidly evolving technological changes and risks picture.

Financial review

Financial review

The positive data read-outs from two clinical studies with orismilast in psoriasis and hidradenitis suppurativa, the completion of patient enrollment in the Phase 2b study in atopic dermatitis, and the expansion of orismilast into ulcerative colitis have been the key drivers of operating costs in 2023.

The financial review is based on the consolidated financial statements for the year ended December 31, 2023, with comparative 2022 and 2021 figures in brackets. There is no significant difference in the development of the Group and the Parent Company.

Income statement

Revenue

Revenue in 2023 was DKK 2.3m (2022: DKK 34.4m; 2021: DKK 118.9m). DKK 2.3m was recognized as License revenue from the Innovent agreement reflecting the progress of the related Phase 2 studies, which is a significant reduction compared to 2022 and 2021 due to timing of milestones in accordance with plans.

Research and development costs

Research and development costs decreased to DKK 140.3m in 2023 (2022: DKK 186.4m; 2021 DKK 155.3m). Finalization of the Phase 2b study in psoriasis is the main driver of the decrease in research and development costs in 2023 compared to 2022 and 2021. Additionally, share-based compensation costs were significantly higher in 2022 than in 2023 and 2021 due to fair value adjustments.

Administrative costs

Administrative costs decreased to DKK 22.1m in 2023 (2022: DKK 31.6m; 2021: DKK 21.7m). The administrative functions were strengthened in 2021 resulting in higher employee costs in 2022. The administrative functions saw limited changes in 2023. External costs in 2021 and 2022 were at a higher level due to system, process and compliance optimization efforts together with preparations for future growth supported by external service providers and advisors. In 2023 focus shifted to maintenance of systems, resulting in fewer external costs.

Other operating income

Other operating income remained at DKK 0m in 2023 (2022: DKK 0m; 2021: DKK 6.2m). In 2021, Other operating income consisted of a government grant from Innovation Fund Denmark.

Financial income/(expenses)

Financial income/(expenses) decreased to DKK -14.7m (2022: -36.1m; 2021: DKK -9.6m). In 2023 fair value adjustments of convertible debt was significantly lower than 2022 and there were no costs related to modification of the European Investment Bank loan. Additionally, interest income was higher in 2023. The 2022 costs primarily consisted of fair value adjustments of convertible debt and warrant and put option as well as interest expenses and modification costs related to the European Investment Bank loan. The cost in 2021 primarily consisted of interest expenses related to the European Investment Bank loan.

Tax income/(expense)

Tax income of DKK 5.4m in 2023 (2022: DKK 5.5m; 2021: DKK 5.5m) comprises receivable tax credit for research and development expenditures at the applicable tax rate under the Danish Tax Assessment Act.

Result for the year

The Result for the year of DKK -169.4m (2022: DKK: -214.3m; 2021: DKK -56.0m) reflects lower revenue partially offset by lower research and development costs, and lower financial expenses.

Cash flow

Cash flow from operating activities

Cash flow from operating activities totaled DKK DKK -160.0m (2022: -158.1m; 2021: DKK -3.0m), which reflects the Result for the year adjusted for non-cash items.

Cash flow from financing activities

Net cash flow from financing activities totaled DKK 96.7m (2022: DKK 61.4m; 2021: DKK 216.5m) primarily related to proceeds from equity capital raised, which is also the primary reason for the development between 2021, 2022 and 2023.

Liquidity and capital resources

As of December 31, 2023, UNION had cash and cash equivalents of DKK 95.3m (2022: DKK 159.0m; 2021 DKK 253.4m). The decrease is primarily due to cash flow from operating activities, partially offset by the capital increase.

Loss of subscribed share capital

As a result of the group's accounting policy, its financing strategy and utilization of the credit facility provided by the European Investment Bank, at December 31, 2023 the company had lost more than 50% of its subscribed share capital. Management expects to re-establish the subscribed share capital through capital increase in 2024.

Material uncertainty related to going concern

UNION is a clinical stage biopharmaceutical company and currently does not generate revenue from product sales. Hence, until such time when the Company is able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's research and development activities.

UNION monitors its liquidity position and forecasts rolling twelve-month cash requirements monthly to identify liquidity risks and enable the Board of Directors and Executive Management to prepare for new financing transactions and/or take relevant tactical or strategic actions to allow the company to continue its research and development activities as planned as a going concern.

UNION, considering its net current assets and forecasted cash requirements, has liquidity resources to fund its operations as planned into December 2024. However, funding of UNION's operating activities through December 2024 and beyond, including refinancing of the EIB loan, which falls due for payment in December 2024, is not secured as of the date of these financial statements.

UNION plans to obtain additional liquidity resources from new long-term sources of funding in 2024. This could be in the form of issuance of new shares, entering license and research and development collaboration agreements, refinancing of current outstanding debt instruments, or a combination of such.

The Board of Directors and Executive Management believe it is probable that sufficient liquidity resources can be obtained in due time during 2024 to enable the company to continue its activities as planned through December 2024 and beyond. Based on these assumptions, the Board of Directors and the Executive Management have prepared the consolidated financial statements based on a going concern assumption.

Since such new source of funding is not obtained as of the date of these consolidated financial statements, material uncertainty that may cast significant doubt on the company's ability to continue as a going concern exists, and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Equity

Equity as of December 31, 2023 totaled DKK -61.6m (2022: -27.7m; 2021: DKK 49.4m). The development was driven primarily by net income or loss for the year and the capital increases from conversion of loans and insuance of share for cash. The equity corresponds to an equity ratio of -51.5% (2022: -14.9%; 2021: 17.3%).

In 2023 share capital has increased by DKK 51 thousand to DKK 761 thousand (2022: 710 thousand; 2021: 660 thousand). Of the increase 9 thousand relates to conversion of loans, DKK 41 thousand relates to to issuance of shares for cash, and DKK 1 thousand relates to exercise of warrants.

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Statement of comprehensive income or loss

DKK'000	Notes	2023	2022	2021
Revenue	3	2,299	34,393	118,912
Research and development costs	4	-140,262	-186,434	-155,305
Administrative costs	4	-22,079	-31,584	-21,724
Operating result before other income		**-160,042**	**-183,625**	**-58,117**
Other operating income	7	-	-	6,178
Operating result		**-160,042**	**-183,625**	**-51,939**
Financial income	8	2,693	2,687	4,286
Financial expenses	8	-17,436	-38,820	-13,848
Result before tax		**-174,785**	**-219,758**	**-61,501**
Tax income/(expense)	9	5,359	5,454	5,475
Result for the year		**-169,426**	**-214,304**	**-56,026**
Other comprehensive income or loss				
Items that may be reclassified to profit or loss in subsequent periods, net of tax				
Exchange differences on translation of foreign operations		-9	6	13
Other comprehensive result for the year, net of tax		**-9**	**6**	**13**
Total comprehensive result for the year		**-169,435**	**-214,298**	**-56,013**
Basic net earnings/(loss) per share	10	-23	-32	-9
Diluted net earnings/(loss) per share	10	-23	-32	-9

Result for the year and total comprehensive result is attributable to the shareholders of UNION therapeutics A/S.

Cash flow statement

DKK'000	Notes	2023	2022	2021
Result for the year		-169,426	-214,304	-56,026
Adjustment for non-cash items	21	19,632	52,742	14,129
Changes in net working capital	22	-18,038	-1,174	34,762
Changes in non-current financial assets		-94	-43	-130
Interest received		2,693	401	-
Interest paid		-106	-1,150	-1,184
Income taxes received/(paid)		5,359	5,454	5,475
Cash flow from operating activities		**-159,980**	**-158,074**	**-2,974**
Investment in property, plant and equipment	12	-113	-178	-140
Cash flow from investing activities		**-113**	**-178**	**-140**
Proceeds from capital increase		102,647	62,037	154,786
Proceeds from exercise of warrants		45	201	-
Costs associated with capital increase		-23	-100	-15
Proceeds from issuance of convertible loans	17	-	-	62,037
Repayment of loans	20	-5,148	-126	-
Lease installments	20	-796	-564	-312
Cash flow from financing activities		**96,725**	**61,448**	**216,496**
Net cash flow for the year		**-63,368**	**-96,804**	**213,382**
Cash at the beginning of the year		159,005	253,402	36,425
Exchange rate adjustments of cash		-332	2,407	3,595
Cash and cash equivalents at end of the year		**95,305**	**159,005**	**253,402**
Cash and cash equivalents as per statement of financial position		**95,305**	**159,005**	**253,402**

Statement of financial position

DKK'000	Notes	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
Assets				
Non-current assets				
Intangible assets	11	16,566	16,566	16,566
Property, plant and equipment	12	1,290	1,048	1,160
Other receivables	13	388	294	252
Total non-current assets		**18,244**	**17,908**	**17,978**
Current assets				
Tax receivables	9	5,500	5,500	5,500
Other receivables	13	1,141	3,262	8,045
Cash and cash equivalents		95,305	159,005	253,402
Total current assets		**101,946**	**167,767**	**266,947**
Total assets		**120,190**	**185,675**	**284,925**

DKK'000	Notes	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
Equity and liabilities				
Equity				
Share capital	14	761	710	660
Other reserves		-62,360	-28,398	48,720
Total equity		**-61,599**	**-27,688**	**49,380**
Non-current liabilities				
Long-term debt	15 , 16	-	107,224	99,286
Cash-settled warrant obligation	6	9,998	9,990	6,074
Deferred revenue	3	-	-	876
Convertible loans	17	-	19,358	63,778
Lease liabilities	15	543	221	661
Total non-current liabilities		**10,541**	**136,793**	**170,675**
Current liabilities				
Short-term part of long-term debt	15, 16	114,413	-	-
Lease liabilities	15	817	814	429
Trade payables	15	8,793	17,743	11,424
Warrant and put option	16	35,305	34,884	18,480
Deferred revenue	3	621	2,920	7,344
Other payables	18	11,299	20,209	27,193
Total current liabilities		**171,248**	**76,570**	**64,870**
Total liabilities		**181,789**	**213,363**	**235,545**
Total equity and liabilities		**120,190**	**185,675**	**284,925**

Statement of changes in equity

			Other reserves		
DKK'000	**Notes**	**Share capital**	**Foreign currency translation reserve**	**(Accumulated deficit)/ Retained earnings**	**Total**
Equity at January 1, 2023		**710**	**-6**	**-28,392**	**-27,688**
Result for the year		-	-	-169,426	-169,426
Other comprehensive income or loss		-	-9	-	-9
Total comprehensive result for the year		**0**	**-9**	**-169,426**	**-169,435**
Transactions with owners:					
Exercise of warrants	14	1	-	44	45
Conversion of convertible loans	17	9	-	23,531	23,540
Capital increase	14	41	-	102,606	102,647
Cost associated with capital increase		-	-	-23	-23
Share-based compensation	6	-	-	9,315	9,315
Equity at December 31, 2023		**761**	**-15**	**-62,345**	**-61,599**

			Other reserves		
DKK'000	**Notes**	**Share capital**	**Foreign currency translation reserve**	**(Accumulated deficit)/ Retained earnings**	**Total**
Equity at January 1, 2022		**660**	**-12**	**48,732**	**49,380**
Result for the year		-	-	-214,304	-214,304
Other comprehensive income or loss		-	6	-	6
Total comprehensive result for the year		**0**	**6**	**-214,304**	**-214,298**
Transactions with owners:					
Exercise of warrants	14	2	-	199	201
Conversion of convertible loans	17	23	-	57,518	57,541
Capital increases	14	25	-	62,012	62,037
Costs associated with capital increase		-	-	-100	-100
Share-based compensation	6	-	-	17,551	17,551
Equity at December 31, 2022		**710**	**-6**	**-28,392**	**-27,688**
Equity at January 1, 2021		**563**	**-25**	**-58,935**	**-58,397**
Result for the year		-	-	-56,026	-56,026
Other comprehensive income or loss		-	13	-	13
Total comprehensive result for the year		**0**	**13**	**-56,026**	**-56,013**
Transactions with owners:					
Capital increases	14	97	-	154,689	154,786
Costs associated with capital increase		-	-	-15	-15
Share-based compensation	6	-	-	9,019	9,019
Equity at December 31, 2021		**660**	**-12**	**48,732**	**49,380**

Notes

1. Accounting policies

Basis for preparation
The consolidated financial statements of UNION therapeutics A/S (referred to as “UNION” or “the company” throughout the financial statements) have been prepared in accordance with IFRS® Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class B and selected disclosure requirements for class C).

The consolidated financial statements have been prepared under the historical cost basis of accounting, except for certain financial assets and liabilities that are measured at fair value.

Applied materiality
UNIONs consolidated financial statement is based on the concept of materiality focusing on information that is considered material and relevant.

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those into classes according to their nature or function. The aggregated transactions are presented in classes of similar items in the financial statements. Line items not individually material are aggregated with other items of similar nature in the consolidated financial statements or in the notes.

The disclosure requirements are substantial in IFRS and the Danish Financial Statement Act. Management provides specific disclosures required unless the information is considered immaterial to the financial decision-making of the users of these consolidated financial statements and otherwise not warranted or not applicable.

Disclosure of Accounting policies
UNION is only disclosing accounting policies if:

- A choice of accounting policy is permitted by the IFRS accounting standard,
- It is needed to provide context for a change of accounting policy that had a material effect on the information in the financial statements,
- It is needed to provide context to significant judgements and estimates,
- The required accounting (recognition, measurement, presentation, disclosure) is complex and users would otherwise not understand the material transaction, event, or condition, or
- There are other qualitative factors that make the accounting policy information material.

Information on the war in Ukraine
UNION does not have any activities in Ukraine or Russia and is not directly impacted by the war in Ukraine.

Changes in the accounting policies and disclosures
Implementation of new and revised standards and interpretations
UNION applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The following newly implemented standards and amendments are relevant for UNION:

- Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Error relating to the definition of Accounting Estimates.

- Amendments to IAS 12 Income taxes relating to (i) deferred tax related to assets and liabilities arising from a single transaction and (ii) the International Tax Reform – Pillar Two Model Rules.

The amendments had no material impact on UNION’s consolidated financial statements.

The amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 (PS2) Making Materiality Judgements were early adopted in the preparation of prior year financial statements for the year ended 2022.

Standards and interpretations not yet in force
At the date of publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the consolidated financial statements.

None of the new or amended standards and interpretations are expected to have a material impact on the consolidated financial statements.

Consolidated financial statements
The consolidated financial statements comprise the parent company, UNION therapeutics A/S, and three wholly-owned subsidiaries controlled by UNION therapeutics A/S: UNION Research Services ApS, UNION therapeutics Germany GmbH and UNION therapeutics North America Inc.

The consolidated financial statements are prepared by combining the parent company’s and the individual subsidiaries’ financial statements and eliminating intercompany transactions such as intra-group income and expenses, intra-group dividends shareholdings, and intra-group balances, and realized and unrealized gains on intra-group transactions.

Translation of foreign operations
Items included in the consolidated financial statements of each of the group’s entities are measured using the currency of the primary economic environment that best reflects the economic substance in which the legal entities operate (functional currency). The functional currency of the parent company and the Danish subsidiary is DKK. The functional currency of the U.S. subsidiary is USD and the functional currency of the German subsidiary is EUR.

Transactions denominated in currencies other than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognized in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates at the date of the statement of financial position.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in the statement of comprehensive income as financial income or financial expenses.

Financial statements of foreign subsidiaries are translated into DKK at the exchange rates prevailing at the reporting

Notes

1. Accounting policies continued

date for assets and liabilities, and at average exchange rates for income statement items. The following exchange rate differences, arising from translation using the exchange rate prevailing at the reporting date, are recognized in Other comprehensive income:

- Translation of foreign subsidiaries' net assets at the beginning of the year.
- Translation of foreign subsidiaries' income statements from average exchange rates.

Current versus Non-current classification
The company presents assets and liabilities in the statement of financial position based on Current/Non-current classification.

An asset is classified as Current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as Current when:

- it is expected to be settled in the normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as Non-current assets and liabilities.

Equity
Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities into the presentation currency, DKK, are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified in the statement of comprehensive income when the net investment is disposed of.

(Accumulated deficit)/Retained earnings
Accumulated deficit include the accumulated profit or loss for the year. Further, accumulated deficit includes the share premium comprising the amount received, attributable to shareholders' equity, in excess of the nominal amount of the shares issued at the company's capital increases, reduced by any expenses directly attributable to the capital increases. Accumulated deficit also includes the corresponding increase in equity relating to share-based payment expense recognized in the profit or loss arising from equity-settled share-based compensation programs.

Cash flow statement
The cash flow statement shows the company's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the result for the year, adjusted for non-cash operating items, changes in working capital, interest paid and received, and paid or received income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings, repayments of interest-bearing debt and lease installments.

Cash is comprised of cash on hand and in bank deposit accounts.

Segment information
Although UNION has established subsidiaries in Denmark, Germany and USA, the company is managed and operated as one business unit which is reflected in the internal reporting. No separate lines of business or separate business entities have been identified with respect to any product candidate or geographical market and no segment information is currently disclosed in the company's internal reporting. All material non-current assets are located in Denmark.

Notes

2. Critical accounting estimates and judgements

Material uncertainty related to going concern
UNION is a clinical stage biopharmaceutical company and currently does not generate revenue from product sales. Hence, until such time when the company is able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's research and development activities.

UNION monitors its liquidity position and forecasts rolling twelve-month cash requirements monthly to identify liquidity risks and enable the Board of Directors and Executive Management to prepare for new financing transactions and/or take relevant tactical or strategic actions to allow the company to continue its research and development activities as planned as a going concern.

UNION, considering its net current assets and forecasted cash requirements, has liquidity resources to fund its operations as planned into December 2024. However, funding of UNIONs operating activities through December 2024 and beyond, including refinancing of the EIB loan, which falls due for payment in December 2024, is not secured as of the date of these financial statements.

UNION plans to obtain additional liquidity resources from new long-term sources of funding in 2024. This could be in the form of issuance of new shares, entering license and research and development collaboration agreements, refinancing of current outstanding debt instruments, or a combination of such.

The Board of Directors and Executive Management believe it is probable that sufficient liquidity resources can be obtained in due time during 2024 to enable the company to continue its activities as planned through December 2024 and beyond. Based on these assumptions, the Board of Directors and the Executive Management have prepared the consolidated financial statements based on a going concern assumption.

Since such new source of funding is not obtained as of the date of these consolidated financial statements, material uncertainty that may cast significant doubt on the company's ability to continue as a going concern exists, and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Critical estimates and judgements
In preparing the consolidated financial statements, management makes various accounting judgements as well as estimates and define assumptions which form the basis of recognition, measurement and presentation of the company's assets and liabilities.

The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that management considers reasonable under the circumstances. This include the impact of climate change. Climate change did not have a material impact on management's judgements and estimates, consistent with the assessment that climate change is not expected to have a significant impact on the Group's future cash flows, the carrying amount of non-current assets, or going concern assessment.

The basis for judgement and information can by nature be inaccurate or incomplete, and UNION is subject to uncertainties, which can result in an actual outcome that deviates from the estimates and defined assumptions. It may be necessary in the future to change previous estimates and judgements as a result of supplementary information, additional knowledge and experience of subsequent events.

In applying the accounting policies described in the individual notes, management has exercised the following critical accounting judgements and estimates which significantly influence the amounts recognized in the consolidated financial statements:

Note		Key accounting estimates and judgements	Estimate/ Judgement
2	Going concern uncertainties	Judgement relating to timing and extend of future funding transactions.	Judgement
3	Revenue	Application of the five-step model of IFRS 15.	Judgement and estimate
4	Preclinical and Clinical cost assessment	Estimating cost not invoiced (accruals).	Estimate
6	Share-based payment	Estimating inputs to the valuation model including the share price, expected life of the share option, market interest rate, and volatility and making assumptions about them.	Estimate
9	Income taxes	Determine whether to recognize deferred tax assets.	Judgement
16	Measuring the European Investment Bank Warrant and Put Option	Estimating inputs to the valuation model including the share price.	Estimate
16	Accounting for extension of maturity date	Judgement is applied to determine whether an extension of the maturity date on a loan is to be accounted for as a modification, an exchange or as being repaid and replaced by a new loan on market terms.	Judgement
17	Valuation of convertible debt instrument	Estimates concerning variables such as discount rates, probability of exit events taking place, and the timing of such exit events.	Estimate

Notes

3. Revenue

Revenue from license and collaboration agreements may vary from period to period as revenue may comprise license revenue, sales-based royalties, development milestones and regulatory milestone payments, research and development services and option fees.

Innovent Agreement
As announced September 28, 2021, UNION entered into a strategic collaboration and license agreement for orismilast, a next-generation PDE4 inhibitor currently in development for inflammatory dermatology conditions, with Innovent Biologics, Inc. (the Innovent Agreement). As part of the Innovent Agreement, UNION received a non-refundable, non-creditable and not subject to set-off up-front payment of USD 20m (DKK 127m) and is eligible to receive future contingent milestones and option payments of up to USD 250m, of which up to USD 89m is contingent on the achievement of certain development and regulatory milestones across multiple therapeutic indications and up to USD 158m is contingent on the achievement of certain sales-based milestones. Lastly, UNION is entitled to receive a sales-based royalty fee ranging from a high single digit to a low twenties percentage of all net sales of orismilast in Greater China (including Mainland China, Hong Kong, Macao and Taiwan) by or on behalf of Innovent.

Within the Innovent Agreement, UNION identified three performance obligations: (i) delivery of license for orismilast (at a point in time), (ii) delivery of Phase 2 study data for orismilast (over time) (iii) option to enter into agreement regarding topical formulation (at a point in time).

Out of the total contract value of DKK 1,715m (USD 270m) excluding royalties, the upfront payment of DKK 127m has been determined as the transaction price, as the future potential milestone and option amounts were not deemed to be highly probable as they are contingent upon success in future clinical trials and regulatory approvals which are not within UNION's control. Milestones will be recognized when their achievement is deemed to be highly probable, and a significant revenue reversal would not occur. Upon commercialization of products, if any, under this agreement, royalties and net sales-based milestones will be recognized when the related sales occur.

The transaction price of DKK 127m was at the inception of the contract allocated to the performance obligations based on the best estimate of relative stand-alone selling prices. As such, DKK 117m was allocated to the perfomance obligation related to the delivery of license of orismilast, and DKK 10m was allocated to the performance obligation related to the delivery of Phase 2 study data for orismilast.

The performance obligations related to the delivery of licenses were completed at a point in time (September 2021) and UNION recognized DKK 117.0m as revenue in 2021. The performance obligation regarding Phase 2 study data will be completed as the studies progress. Revenue is recognized over time applying an input approach based on incurred cost as a percentage of total expected cost.

In 2023 DKK 2.3m (2022: DKK 5.3m; 2021: DKK 1.9m) was recognized as License revenue from upfront payment recognized over time reflecting the progress of the Phase 2 studies.

On July 25, 2022, Innovent received Chinese Investigational New Drug (IND) clearances for psoriasis and atopic dermatitis. Two development milestones totaling USD 4.0m (DKK 29.1m) were contingent on the achievement of the IND clearances. Accordingly, DKK 29.1m was recognized as License revenue from milestones recognized at a point in time in 2022.

100% of UNION's revenue in 2021, 2022 and 2023 arise from the Innovent agreement. Payment terms are between 30 and 60 days.

Revenue

DKK'000	**2023**	**2022**	**2021**
License revenue from upfront payment recognized over time	2,299	5,300	1,886
License revenue from upfront payment recognized at a point in time	-	-	117,026
License revenue from milestones recognized at a point in time	-	29,093	-
	2,299	**34,393**	**118,912**
Geographical split of revenue:			
Denmark	-	-	-
Greater China	2,299	34,393	118,912
	2,299	**34,393**	**118,912**

Notes

3. Revenue continued

Deferred revenue

Deferred revenue at December 31, 2023 of DKK 0.6m (December 31, 2022: DKK 2.9m; December 31, 2021: DKK 8.2m) represents the aggregated amount of the transaction price allocated to the performance obligations (delivery of Phase 2 study data for orismilast) that are unsatisfied at the end of the reporting period. Deferred revenue presented as Current of DKK 0.6m (December 31, 2022: DKK 2.9m; December 31, 2021: DKK 7.3m), relates to performance obligations that UNION expects to satisfy during the coming twelve months, whereas the Non-current portion of DKK 0m (December 31, 2022: DKK 0m; December 31, 2021: DKK 0.9m) represents performance obligations that UNION expects to satisfy after the coming twelve months.

Deferred revenue

DKK'000	2023	2022	2021
At January 1	2,920	8,220	-
Portion of upfront payment recognized over time	-	-	10,106
Recognized as revenue	-2,299	-5,300	-1,886
At December 31	**621**	**2,920**	**8,220**
Of which is presented as:			
Non-current	-	-	876
Current	621	2,920	7,344
	621	**2,920**	**8,220**

Joint arrangements

For the Innovent agreement UNION and Innovent Biologics have agreed an initial joint development plan in respect of activities that support the development of orismilast. Costs under any such joint development plan will be shared between Innovent Biologics and UNION, with UNION covering 90% and Innovent Biologics covering 10% of such costs.

Accounting policies

Revenue

Revenue is recognized when the customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of IFRS 15, the following five steps are performed: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The five-step model is only applied to contracts when it is probable that the consideration UNION is entitled to in exchange for the goods or services it transfers to the customer will be collected. At contract inception, once the contract is determined to be within the scope of IFRS 15, UNION assesses the goods or services promised within each contract and identifies, as a performance obligation, and assesses whether each promised good or service is distinct. Revenue is recognized in the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Upfront payments: Certain agreements include payments to UNION at signing. To the extent the customer obtains control of goods or services related to the upfront payments at signing, revenue is recognized at signing. To the extent the customer obtains control of goods and services related to the upfront payment at a later point in time, upfront payments are initially recognized as deferred revenue and only recognized as revenue when the customer obtains control of goods or services.

Milestone revenue: At the inception of each arrangement that includes milestone payments, it is evaluated whether the achievement of milestones is considered highly probable and UNION estimates the amount to be included in the transaction price. If it is highly probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of UNION or the license and collaboration partner, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which revenue is recognized as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the probability of achievement of such development milestones and any related constraint is re-evaluated, and if necessary, the estimate of the overall transaction price is adjusted. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

Royalties: Certain license and collaboration agreements include sales-based royalties including commercial milestone payments based on the level of sales. The license has been deemed to be the predominant item to which the royalties relate under license and collaboration agreements. As a result, revenue is recognized when the related sales occur.

Notes

3. Revenue continued

Accounting policies continued

License revenue for intellectual property: If license to functional intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, revenue is recognized from non-refundable upfront fees allocated to the license at the point in time the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, UNION utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, upfront fees.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. Revenue is presented in the country in which the delivery takes place, which is the customer's country of domicile.

Joint arrangements

When UNION enters into an agreement, the agreement might include joint development arrangement plans in respect of activities that support the development of the UNION Asset. Costs arising under any such joint development plan will be shared between UNION and the development partner. These collaboration agreements are considered joint operations as defined in IFRS 11 "Joint Arrangements". As a consequence, such agreements are not considered performance obligations.

Deferred revenue

Deferred revenue represents the aggregated amount of consideration to which UNION has obtained unconditional right but for which performance obligations are not yet satisfied at the end of the reporting period. The split between Current and Non-current deferred revenue is based on UNION's underlying development plans under which the performance obligations are expected to be satisfied.

Critical accounting estimates and judgements

Revenue comprises license payments and milestone payments. License payments which provide the buyer with the right to use the license as it exists at the date of transfer are recognized upon transfer of the associated licensing rights at the point at which the buyer obtains the right to use the license.

The evaluation of the criteria for revenue recognition requires management to apply significant judgement in the application of the five-step model of IFRS 15. In relation to the Innovent Biologics license and collaboration agreement management has performed significant judgements and estimates in its (i) identification of performance obligations under the contract, including the determination of whether promised services under the contract are capable of being distinct, (ii) allocation of the transaction price to various performance obligations, (iii) determining whether licenses granted under the contract provide the customer with either a right to access the company's intellectual property as it exists throughout the license period or a right to use the company's intellectual property as it exists at a point in time at which the license is granted, and (iv) estimation of budget costs and cost to complete the research and development projects, which are applied in measuring progress of performance obligation satisfied over time.

Notes

4. Research and development costs and Administrative costs

DKK'000	Notes	2023	2022	2021
Research and development costs				
Employee benefit costs	5	31,678	33,636	22,909
Share-based compensation	6	6,677	13,080	6,750
External costs		101,907	139,718	125,646
		140,262	**186,434**	**155,305**

Finalization of the Phase 2b study in psoriasis in 2023 was the primary driver of the decrease in research and development costs in 2023 compared to 2022 and 2021.

DKK'000	Notes	2023	2022	2021
Administrative costs				
Employee benefit costs	5	10,208	10,858	7,451
Share-based compensation	6	2,646	8,387	2,274
External costs		8,291	11,593	11,648
Depreciation	12	934	746	351
		22,079	**31,584**	**21,724**

The administrative functions were strengthened in 2021 resulting in higher employee costs in 2022. External costs in 2021 and 2022 were at a higher level compared to 2023 due to system, process and compliance optimization efforts together with preparations for future growth supported by external service providers. In 2023 focus shifted to maintenance of systems, resulting in reduced external costs.

Accounting policies

Research and development costs
Research and development costs are primarily external and, to a lesser extent, internal costs incurred in the development of the UNION's product candidates, including personnel costs and external research and development costs. Substantial portions of the company's clinical studies are performed by third-party laboratories, medical centers, or contract research organizations.

UNION recognizes accruals for estimated research and development costs, comprising payments for work performed by third-party contractors and others. Payments for these activities are based on the terms of the individual agreements with the relevant counterparties, such as contract research organizations, which may differ from the pattern of costs incurred, in which case, they are reflected in the financial statements as expense, prepaid expense or accrued expense. For clinical studies, the company accrues expenses based upon the estimated percentage of work completed.

To the extent payments are made by UNION in advance of the related activities performed by the CROs, they are included in prepayments to clinical research organizations and expensed when the activities are performed by the CROs. To the extent the payments are made by UNION following the performance of the related activities, the expense is accrued as a payable to clinical research organizations.

Administrative costs
Administrative costs consist primarily of personnel costs and costs related to corporate functions and business development. In addition, administrative costs include depreciation and other expenses for UNION's headquarters.

Critical accounting estimates and judgements

UNION's cost estimates depend on the timeliness and accuracy of the data provided by the CROs regarding the status of each program and total program spending. The company evaluates the estimates to determine if adjustments are necessary or appropriate based on information received.

Notes

5. Staff costs

DKK'000	Notes	2023	2022	2021
Wages and salaries		35,734	38,558	27,331
Defined contribution plans		1,365	1,557	1,005
Other social security costs		3,566	3,413	1,452
Share-based compensation	6	9,323	21,467	9,024
Other staff costs		1,221	966	572
		51,209	**65,961**	**39,384**
Research and development costs		38,355	46,716	29,659
Administrative costs		12,854	19,245	9,725
		51,209	**65,961**	**39,384**
Average number of full-time equivalents		32	37	26

Staff costs primarily consist of salaries, other social security expenses and share-based compensation. Share-based compensation was higher in 2022 than in 2021 and 2023 due to fair value adjustments.

Accounting policies

Staff costs, including wages and salaries, defined contribution plan costs, share-based compensation, social security costs and other staff expenses are recognized in the year in which the associated services are rendered by employees of UNION.

Remuneration to Board of Directors and Executive Management

	2023		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	1,340	7,207	8,547
Share-based compensation	863	4,419	5,282
Social security	-	10	10
	2,203	**11,636**	**13,839**

	2022		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	1,295	7,239	8,534
Share-based compensation	7,303	6,113	13,416
Social security	-	10	10
	8,598	**13,362**	**21,960**

	2021		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	850	6,938	7,788
Share-based compensation	1,819	3,545	5,364
Social security	-	10	10
	2,669	**10,493**	**13,162**

Executive Management members are the key management personnel of UNION.

Notes

6. Share-based payment

Warrant programs
UNION has established share-based incentive programs (equity-settled and cash-settled) for members of the Board of Directors, members of the Executive Management and employees in the form of warrants. Warrants are granted by the Board of Directors in accordance with authorizations given to it by the general meeting of shareholders and as incorporated into the company's articles of association.

The table below summarizes share-based compensation expenses included in the statement of comprehensive income or loss:

DKK'000	2023	2022	2021
Research and development costs, from equity-settled warrants	6,669	9,164	6,745
Research and development costs, from cash-settled warrants	8	3,916	5
Administrative costs, from equity-settled warrants	2,646	8,387	2,274
Administrative costs, from cash-settled warrants	-	-	-
	9,323	**21,467**	**9,024**

Warrants granted in February 2017 (cash-settled)
In April 2017, the general meeting of shareholders granted warrants with rights to subscribe for up to 44,654 shares of nominally DKK 0.1 with an exercise price of DKK 24 per warrant. At December 31, 2023, the Board of Directors have granted in total 44,654 (December 31, 2022: 44,654; December 31, 2021: 44,654). These warrants vest and become exercisable upon an "exit event", defined as an event of IPO, merger, demerger, or solvent liquidation, which triggers an immediate expense recognition upon grant. These warrants may be settled in equity instruments of the company or in cash at the discretion of the warrant holder. Accordingly, these warrants are classified as cash-settled warrants. The life of the warrants is eight years from the date of grant. Upon occurrence of an 'exit event' the warrant holder has fourteen days to exercise the warrants or the warrants will lapse.

Warrants granted from November 2017 (equity-settled)
In November 2017, the Board of Directors were authorized to grant warrants for up to 250,000 shares of nominally DKK 0.1 per warrant in the company in the period until March 31, 2024. In June 2020, the Board of Directors was authorized to grant warrants for up to an additional 250,000 shares in the company in the period until June 25, 2025. In July 2023 the June 2020 authorization was extended until July 4, 2028, and increased by 100,000 warrants. At December 31, 2023, the Board of Directors have granted in total 478,670 (December 31, 2022: 438,670; December 31, 2021: 419,230) warrants adjusted for expired and exercised warrants under this authorization. Warrants granted under the equity incentive plans are classified as equity settled and generally vest over four years' service periods in periodic installments that may or may not be equal, which triggers linear or graded vesting profiles. Certain warrants under this program vest immediately upon grant. The contractual life of the warrants varies from 4-10 years from the date of grant.

The following schedule specifies the movements of number and weighted average exercise price of outstanding warrants for 2021, 2022 and 2023:

Equity-settled warrants

	Number of warrants				Weighted average exercise price per warrant (DKK)	Weighted average grant date fair value per warrant (DKK)
	Board of Directors	Executive Manage-ment	Em-ployees	Total		
Outstanding, December 31, 2020	**71,080**	**80,000**	**84,850**	**235,930**	**63**	**35**
Granted during the period	37,500	105,960	39,840	183,300	97	110
Outstanding, December 31, 2021	**108,580**	**185,960**	**124,690**	**419,230**	**78**	**68**
Granted during the period	25,000	18,920	32,000	75,920	64	179
Expired during the period	-25,125	-	-10,400	-35,525	82	33
Exercised during the period	-20,955	-	-	-20,955	10	4
Outstanding, December 31, 2022	**87,500**	**204,880**	**146,290**	**438,670**	**78**	**93**
Granted during the period	-	24,000	42,700	66,700	48	212
Forfeited during the period	-	-	-12,875	-12,875	40	137
Expired during the period	-	-	-12,700	-12,700	82	41
Exercised during the period	-	-	-1,125	-1,125	40	130
Outstanding, December 31, 2023	**87,500**	**228,880**	**162,290**	**478,670**	**75**	**110**
Exercisable warrants at December 31, 2023				350,225	78	
Exercisable warrants at December 31, 2022				289,191	78	
Exercisable warrants at December 31, 2021				183,421	75	

The weighted average share-price at exercise was DKK 248 (2022: DKK 160) per share of nominal DKK 0.1 each. The weighted average remaining contractual life for outstanding equity-settled warrants was 2.9 years at December 31, 2023 (December 31, 2022: 3.5 years; December 31, 2021: 3.8 years). The range of the exercise price for outstanding equity-settled warrants was DKK 0.1-160 at December 31 2023 (December 31, 2022: 0.1-160; December 31, 2021: 0.1-124).

Notes

6. Share-based payment continued

Cash-settled warrants

	Number of warrants		Weighted average exercise price per warrant (DKK)	Weighted average grant date fair value per warrant (DKK)
	Former employees	Total		
Outstanding, December 31, 2020	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2021	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2022	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2023	**44,654**	**44,654**	**24**	**10**
Exercisable warrants at December 31, 2023		-	n/a	
Exercisable warrants at December 31, 2022		-	n/a	
Exercisable warrants at December 31, 2021		-	n/a	

The weighted average remaining contractual life for outstanding cash-settled warrants was 1.1 years at December 31, 2023 (December 31, 2022: 2.1 years; December 31, 2021: 3.1 years).

The exercise price for outstanding cash-settled warrants was DKK 24 at December 31, 2023 (December 31, 2022: 24; December 31, 2021: 24).

Determination of fair value of warrants

UNION determines and calculates the fair value of each equity-settled warrant at grant date and for each cash-settled warrant, at each balance sheet date, using the Black-Scholes option pricing model. This pricing model requires the input of subjective assumptions such as:

- Dividend yield is determined to be zero.
- The expected stock price volatility: As it is not possible to estimate the expected volatility of a non-listed entity's share price, UNION has estimated the fair value of its warrants by using the volatility of an appropriate peer group of listed international biotechnology companies.
- The risk-free interest rate, which is based on the Danish government bonds having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the warrant program.
- Estimate of UNION therapeutics A/S' market share price. As UNION therapeutics A/S is not listed on a stock exchange, the estimated fair value of the warrants at each measuring date, using the Black-Scholes model, has been established by assuming that the value of UNION therapeutics A/S' shares is the price per share determined at the latest financing round and considering additional subsequent valuation inflection points and relevant facts and circumstances.

Notes

6. Share-based payment continued

Valuation assumptions for warrants in 2021, 2022 and 2023
The fair value at each measuring date in 2021, 2022 and 2023 is measured using the following significant assumptions:

	2023	2022	2021
Equity-settled warrants			
Dividend yield	-	-	-
Volatility (%)	80	69	54-76
Risk-free interest rate	2.8%	1.2%	-0.2% - -0.4%
Market share price range applied	DKK 248	DKK 160-248	DKK 160
Exercise price	DKK 0.1-160	DKK 0.1-160	DKK 0.1-124
Expected life of equity-settled warrants granted	5 years	5 years	5 years
The grant date fair value per warrant	DKK 172-222	DKK 86-217	DKK 83-160

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Cash-settled warrants			
Dividend yield	-	-	-
Volatility (%)	72	71	76
Risk-free interest rate	3.2%	1.4%	-0.2%
Market share price at year end	DKK 248	DKK 248	DKK 160
Exercise price	DKK 24	DKK 24	DKK 24
Expected contractual life of cash-settled warrants at end period	1.1 years	2.1 years	3.1 years
The end period fair value per warrant	DKK 224	DKK 224	DKK 136

Reconciliation of fair value of cash-settled warrants:

DKK'000	Cash-settled warrants
At January 1, 2021	6,069
Fair value adjustment through comprehensive income	5
At December 31, 2021	**6,074**
Fair value adjustment through comprehensive income	3,916
At December 31, 2022	**9,990**
Fair value adjustment through comprehensive income	8
At December 31, 2023	**9,998**

Accounting policies

Equity-settled awards
The cost of equity-settled awards is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognized in the statement of comprehensive income together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

Cash-settled awards
A liability is recognized for the fair value of cash-settled awards. The fair value is measured initially at the date of grant and subsequently at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense.

Notes

6. Share-based payment continued

Critical accounting estimates and judgements

Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the respective awards. This estimate also requires determination of the most appropriate inputs to the valuation model including the share price, expected life of the share option, market interest rate, and volatility and making assumptions about them. UNION determines the value of the share price with reference to the share price applied in most recent capital increase transactions and adjusted for any value inflection points. UNION initially measures the cost of equity-settled and cash-settled share-based compensation awards using the Black-Scholes model to determine the fair value of the respective awards.

For cash-settled share-based compensation transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognized in comprehensive income. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment.

7. Other operating income

Other operating income consists of government grants and other items secondary to the company's activities. In 2020 UNION received a governmental grant from Innovation Fund Denmark. The grant provides compensation for a part of certain project-specific research and development expenses, including wages and salaries. In 2021 the remaining conditions attached to the government grant were fulfilled and the remaining part of the grant was recognized in the consolidated comprehensive income.

In 2023, UNION recognized DKK 0m (2022: DKK 0m; 2021: DKK 6.2m) as Other operating income, hereof income from the government grant accounts for DKK 0m (2022: DKK 0m; 2021: DKK 6.2m).

8. Financial income and expenses

Financial income

DKK'000	Notes	2023	2022	2021
Interest income		2,693	401	-
Foreign exchange gains, net		-	2,286	4,286
		2,693	**2,687**	**4,286**

Financial expenses

DKK'000	Notes	2023	2022	2021
Interest expenses		-	1,178	1,184
Interest expenses, lease liabilities		58	53	32
Fair value adjustment, Convertible debt (unrealized)	17	-	1,881	1,741
Fair value adjustment, Convertible debt (realized)	17	4,182	11,240	-
Interest expenses, European Investment Bank loan (amortized cost)	16	12,756	11,240	10,891
Modification loss, European Investment Bank loan	16	-	3,116	-
Foreign exchange loss, net		440	-	-
Fair value adjustment, warrant and put option (unrealized)	16	-	10,112	-
		17,436	**38,820**	**13,848**

Foreign exchange losses in 2023 are primarily related to USD cash positions.

The fair value adjustment of convertible debt in 2022 and 2023 was due to conversion of nominal DKK 45.0m and nominal DKK 17.0m of the convertible loan into share capital in 2022 and 2023, respectively.

Accounting policies

For accounting policies regarding share-based compensation, European Investment Bank loan and Convertible loan, please refer to note 6, 16 and 17, respectively.

Notes

9. Income taxes

The major components of income taxes for the years ended December 31, 2021, 2022 and 2023 are:

DKK'000	2023	2022	2021
Income taxes in the statement of profit or loss			
Net result before tax	-174,785	-219,758	-61,501
Corporate income tax rate in Denmark	22%	22%	22%
Computed corporate tax expense/(income)	**-38,453**	**-48,347**	**-13,530**
Prior year adjustments	-	-2	1,983
Adjustment for non-deductible expenses	34	1,579	3,748
Adjustment for Group-internal dividends	-51	-	-
Adjustment for research and development super deduction	-3,618	-4,468	-7,532
Adjustment for warrant (equity- and cash-settled)	2,051	4,723	1,560
Change in deferred tax asset not recognized	34,678	41,061	8,296
Tax expense/(income) for the period	**-5,359**	**-5,454**	**-5,475**
Deferred tax in the statement of financial position			
Tax deductible losses	58,699	33,188	15,952
Research and development capitalized for tax purpose	41,697	33,072	11,312
Other temporary differences	7,969	7,521	5,420
Deferred tax asset/(liability) at December 31	**108,365**	**73,781**	**32,684**
Deferred tax assets not recognized			
Deferred tax assets not recognized	-108,365	-73,781	-32,684
Deferred tax at December 31	**0**	**0**	**0**

The biotechnology and pharmaceutical industry is subject to considerable risks and uncertainties. UNION has so far reported significant losses and, consequently, has unused tax losses. Management has concluded that deferred tax assets should not be recognized at December 31, 2023. (none recognized at December 31, 2022 and December 31, 2021) due to uncertainty related to future utilization of loss carried forward.

Income tax receivables are recognized in accordance with the Danish tax credit scheme (Skattekreditordningen). Companies covered by the tax credit scheme may obtain payment of the tax base of losses originating from research and development expenses of up to DKK 25.0m (tax value of DKK 5.5m). Under Danish tax legislation, UNION is eligible to receive DKK 5.5m in 2023 (2022: DKK 5.5m; 2021: DKK 5.5m) in cash relating to the surrendered tax loss based on qualifying research and development expenses. These tax receipts comprise the majority of the current tax income in 2021, 2022 and 2023, respectively.

Accounting policies

Current income tax
Tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities within one year of the date of the statement of financial position. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the company operates.

Deferred tax
Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses, can be utilized. Unused tax losses can be carried forward indefinitely.

Critical accounting estimates and judgements

If management assesses that tax assets can be offset against positive taxable income within the foreseeable future, UNION recognizes deferred tax assets, including the tax base of tax loss carryforwards. Management has assessed that UNION does not meet the recognition criteria for capitalization of deferred tax assets due to the uncertainty as to the future utilization of tax loss carryforward. Judgements are made in respect of determination of research and development costs applicable for super deduction, impacting amounts of non-capitalized deferred tax assets.

Notes

10. Result per share

The result for the period and weighted average number of shares used in the calculation of basic and diluted result per share are as follows:

DKK'000, except share amounts and per share amounts	Notes	2023	2022	2021
Result for the year		-169,426	-214,304	-56,026
Weighted average number of shares outstanding		7,339,220	6,753,204	6,492,633
Average dilutive effect of outstanding stock options and warrants		-	-	-
Average number of diluted shares		**7,339,220**	**6,753,204**	**6,492,633**
Basic net earnings/(loss) per share		-23	-32	-9
Diluted net earnings/(loss) per share		-23	-32	-9

The following potential ordinary shares are anti-dilutive and are therefore not included in the weighted average number of shares for the purpose of diluted earnings per share:

	Notes	2023	2022	2021
Outstanding warrants under employee incentive programs	6	523,324	483,324	463,884
Outstanding warrants relating to European Investment Bank loan facility	16	142,703	141,003	115,572
Contingent issuable shares relating to convertible loans	17	-	120,737	681,609
Total outstanding warrants		**666,027**	**745,064**	**1,261,065**

Accounting policies

Basic net earnings per share are calculated as the result for the year compared to the weighted average of the issued shares in the financial year.

The basis for the calculation of diluted net earnings per share is the weighted-average number of ordinary shares in the financial year adjusted for the dilutive effects of warrants.

11. Intangible assets

	Patents, trademarks and other rights		
DKK'000	**2023**	**2022**	**2021**
Cost			
At January 1	16,566	16,566	16,566
Additions	-	-	-
At December 31	**16,566**	**16,566**	**16,566**
Amortization			
At January 1	-	-	-
Additions	-	-	-
At December 31	**0**	**0**	**0**
Carrying amount			
At December 31	**16,566**	**16,566**	**16,566**

Acquisition of PDE4-inhibitor program
The intangible assets consist of certain intangible rights in the form of patents and compound data relating to the PDE4 inhibitor compounds including orisimilast acquired from Leo Pharma A/S in 2020. UNION has no internally generated intangible assets from development, as the criteria for recognition of an asset are not considered met.

Contingent payment and acquisition of intangible rights
Under the terms of the agreement, UNION agreed to make future payments to LEO Pharma A/S that are contingent upon the achievement of specified clinical, regulatory, and sales milestones. UNION applies the cost accumulation method for the accounting for such contingent payments.

Under the agreement, UNION will, subject to meeting certain clinical, regulatory, and sales milestones, pay in cash to the seller up to USD 202m equivalent to DKK 1,240m. Also, UNION will pay to the seller a low single-digit percentage royalty applied on net sales of covered products until the expiry of the royalty term which ends at the latest on the twelfth anniversary of the first commercial sale of covered products.

Notes

11. Intangible assets continued

Impairment test and considerations
The intangible asset is not being amortized until market approval of the underlying asset has been obtained from regulatory authorities.

UNION has performed an impairment test of the intangible assets at December 31, 2021, 2022, and 2023. The recoverable amount of the intangible asset has been determined based on a value in use calculation using a discounted cash flow model. Projected cash flows have been determined based on estimated costs required to bring the product development through market approval and includes contractual contingent payments related to clinical, regulatory, and sale milestones. Budgeted cash flows from future product sales have been probability weighted. The pre-tax discount rate applied to the cash flow projections is 14.0% (2022: 14.0%; 2021: 14.0%). The impairment test shows no need for impairment.

Accounting policies

Separately acquired intangible assets
Separately acquired intangible assets are measured at historical cost. Such assets have a finite useful life and are subsequent to initial measurement carried at costs less accumulated amortization and impairment.

For acquisition of intangible rights involving equity-settled share-based payment transactions, management measures the fair value of the rights received and the corresponding increase in equity by reference to the fair value of the rights received unless that fair value cannot be estimated reliably. If management cannot estimate reliably the fair value of the rights received, it measures the fair value and the corresponding increase in equity by reference to the fair value of the equity instruments granted.

Variable or contingent consideration for the acquisition of intangible rights is accounted for under the cost accumulation model, whereby all future considerations are added, when incurred, to the cost of the asset initially recorded.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Internally generated intangible assets from development
Intangible assets arising from development projects are recognized in the balance sheet when:

- the development project is clearly defined and identifiable and the attributable costs can be measured reliably during the development period,
- 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 is recognized if it 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, with sufficient certainty.

Costs not recognized in the balance sheet are recognized in the statement of comprehensive income as Research and development costs when incurred.

Impairment test of intangible assets
During the year, the carrying amounts of intangible assets are reviewed in order to determine whether there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value in use. On assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes

12. Property, plant and equipment

DKK'000	Right-of-use assets	Other equipment	Total
Cost			
At January 1, 2023	2,103	319	2,422
Additions	1,063	113	1,176
Disposals	-	-	0
At December 31, 2023	**3,166**	**432**	**3,598**
Depreciation			
At January 1, 2023	-1,222	-152	-1,374
Additions	-742	-192	-934
Disposals	-	-	0
At December 31, 2023	**-1,964**	**-344**	**-2,308**
Carrying amount			
At December 31, 2023	**1,202**	**88**	**1,290**
Cost			
At January 1, 2022	1,647	157	1,804
Additions	456	178	634
Disposals	-	-16	-16
At December 31, 2022	**2,103**	**319**	**2,422**
Depreciation			
At January 1, 2022	-618	-26	-644
Additions	-604	-142	-746
Disposals	-	16	16
At December 31, 2022	**-1,222**	**-152**	**-1,374**
Carrying amount			
At December 31, 2022	**881**	**167**	**1,048**

DKK'000	Right-of-use assets	Other equipment	Total
Cost			
At January 1, 2021	444	95	539
Additions	1,203	140	1,343
Disposals	-	-78	-78
At December 31, 2021	**1,647**	**157**	**1,804**
Depreciation			
At January 1, 2021	-288	-83	-371
Additions	-330	-21	-351
Disposals	-	78	78
At December 31, 2021	**-618**	**-26**	**-644**
Carrying amount			
At December 31, 2021	**1,029**	**131**	**1,160**

Right-of-use assets
The company leases its office premises in Copenhagen. The property lease is non-cancellable in the period through January 1, 2025. Hereafter, the option to terminate is six months, meaning the contract can be terminated as of July 31 2025 at the earliest. The contract does not provide a right, obligation, or an option to buy the office premises. The contract contains both lease and non-lease components according to the specific pricing of the services in the agreements.

Additionally, the company leases parking spaces in the area of the office premises. The contracts include options to terminate in three months, but the leasing contracts are expected to continue at least until June 30, 2025. The contracts do not contain any non-lease components.

In 2021, 2022 and 2023, the expense related to variable lease payments not included in the lease liabilities amounts to DKK 0.1m per year and was recognized in administrative costs.

Accounting policies

Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets, as follows:
Other fixtures and fittings, tools and equipment: 2-5 years. Leasehold improvements: Length of lease term, but no longer than 5 years.

Notes

13. Other receivables

DKK'000	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
VAT receivables	686	2,786	4,224
Prepayments	344	341	2,170
Deposits	388	294	252
Other receivables	111	135	1,651
Other receivables	**1,529**	**3,556**	**8,297**
Classified as:			
Non-curent assets	388	294	252
Current assets	1,141	3,262	8,045
Other receivables	**1,529**	**3,556**	**8,297**

In 2022 and 2023 Other receivables primarily consists of VAT receivables. In 2021, Other receivables primarily consisted of VAT receivables and government grant from Innovation Fund Denmark.

14. Capital management and share capital

Capital Management
The Board of Directors monitors the share and capital structure to ensure that UNION's capital resources support the strategic goals. UNION's goal is to maintain a strong capital base to maintain confidence from investors, creditors, employees and collaboration partners, and a continuous advancement of the research and development pipeline and business in general.

UNION is primarily financed through equity investments from shareholders, convertible loans, and a long-term loan agreement with the European Investment Bank. UNION has also obtained financing through license agreements and governmental- and private grants. The adequacy of UNION's available funds will depend on various factors, including the advancement of the research and development programs, the magnitude of investments in these programs, and UNION's ability to establish commercial collaboration and licensing agreements with partners.

As such, UNION will require additional funds and plans to obtain additional long-term sources of funding through issuance of new shares, entering license and research and development collaboration agreements, expense management activities, refinancing of current outstanding debt instruments or a combination of such.

For further information regarding the European Investment Bank loan and convertible loan, refer to note 16 and 17, respectively. For further information regarding going concern, refer to note 2.

Loss of subscribed share capital
As a result of the group's accounting policy, financing strategy and utilization of the credit facility provided by the European Investment Bank, at December 31, 2023 the company had lost more than 50% of its subscribed share capital. Management expects to re-establish the subscribed share capital through additional long-term sources of funding or through retained earnings if entering into license or research and development collaboration agreements in 2024.

2021 Stock-split
On December 29, 2021, a 10-for-1 stock-split of issued and outstanding ordinary shares was approved at an extraordinary general meeting. The stock-split also resulted in a reduction of the nominal value of the company's ordinary shares from DKK 1 to DKK 0.1. The share split directly affected granted warrants, as warrants effectively split 10-for-1, while the exercise price of each warrant was reduced to 1/10 of the pre-split value. At December 31, 2023 the share capital comprises of 7,611,034 shares of nominal DKK 0.1, each of which have been issued and paid in full. Only one class of shares exists, and no shares carry any special rights.

Share-capital movement table	Number of shares	Share capital (DKK'000)
Share capital at January 1, 2021	562,859	563
Capital increase at February 9, 2021	96,741	97
Effect of 10-for-1 share split December 29, 2021	5,936,400	-
Share capital at December 31, 2021	**6,596,000**	**660**
Share capital at January 1, 2022	6,596,000	660
Capital increase at January 3, 2022 (exercise of warrants)	20,955	2
Capital increase at June 30, 2022 (conversion of loan)	232,477	23
Capital increase at December 2, 2022	250,643	25
Share capital at December 31, 2022	**7,100,075**	**710**
Share capital at January 1, 2023	7,100,075	710
Capital increase at July 13, 2023	414,724	41
Capital increase at July 13, 2023 (conversion of loan)	95,110	9
Capitial increase at September 12, 2023 (exercise of warrants)	875	1
Capital increase at November 21, 2023 (exercise of warrants)	250	0
Share capital at December 31, 2023	**7,611,034**	**761**

Notes

15. Financial risks

The company's financial risks are managed by the Executive Management. UNION follows a policy where management continually monitors the following defined risks: liquidity risk, interest rate risk, currency risk and credit risk.

Liquidity risk
Liquidity risk is the risk that UNION will not be able to meet its financial obligations as they fall due. The Executive Management monitors its risk of a shortage of funds using a liquidity planning tool.

The company's objective and policy is to maintain a balance between continuity of funding and flexibility through the use of equity investments from shareholders and external loans. For discussion of going concern refer to note 2.

UNION has no unused credit facilities at December 31, 2021, 2022 and 2023.

The following are the contractual undiscounted outflows associated with the company's financial liabilities in the current and prior year based on their contractual maturities.

DKK'000	Carrying amount	Falling due within 1 year	Falling due between 1-2 years	Falling due after 2 years	Total contractual cash flows
2023					
Short-term debt (amortized cost)	114,413	127,673	-	-	127,673
Trade payables (amortized cost)	8,793	8,793	-	-	8,793
Cost accruals (amortized cost)	9,174	9,174	-	-	9,174
Lease liabilities (amortized cost)	1,360	851	549	-	1,400
Warrant and put option (fair value)	35,305	35,305	-	-	35,305
	169,045	**181,796**	**549**	**0**	**182,345**
2022					
Long-term debt (amortized cost)	107,224	-	123,613	-	123,613
Trade payables (amortized cost)	17,743	17,743	-	-	17,743
Cost accruals (amortized cost)	18,789	18,789	-	-	18,789
Lease liabilities (amortized cost)	1,035	848	229	-	1,077
Convertible loans (fair value)	19,358	-	21,590	-	21,590
Warrant and put option (fair value)	34,884	34,884	-	-	34,884
	199,033	**72,264**	**145,432**	**0**	**217,696**
2021					
Long-term debt (amortized cost)	99,286	-	80,038	38,098	118,136
Trade payables (amortized cost)	11,424	11,424	-	-	11,424
Cost accruals (amortized cost)	25,059	25,059	-	-	25,059
Lease liabilities (amortized cost)	1,090	471	681	-	1,152
Convertible loans (fair value)	63,778	-	-	78,786	78,786
Warrant and put option (fair value)	18,480	18,480	-	-	18,480
	219,117	**55,434**	**80,719**	**116,884**	**253,037**

The amounts disclosed in the tables are the contractual undiscounted cash flows (including interest payments). Balances due within 12 months, except for the European Investment Bank loan in long term debt, equal their carrying balances as the impact of discounting is not significant.

Notes

15. Financial risks continued

The fair value of Convertible loan and Warrant and put option are based on level 3 in the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurement during the periods ended December 31, 2021, 2022 or 2023.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UNION has no significant interest-bearing debt with variable interest, and UNION's interest rate risks primarily relate to the position of cash in banks. As such, no separate analysis is provided.

Foreign currency risk
UNION has foreign exchange exposure from vendors contracted and paid in other currencies than DKK, or EUR, to which the DKK is pegged. UNION also has foreign exchange exposure through certain income elements, e.g. future milestone payments denominated in USD as discussed in note 3 and 11.

UNION manages part of the cost-related foreign exchange exposure by buying and selling foreign currencies on a quarterly basis in order to hold amounts of foreign currency that correspond to the contractually committed costs in foreign currency on a 12-months rolling basis. This simple hedging approach is subject to hedging criteria related to size of foreign exchange exposure from vendor contracts, historical currency fluctuation and transaction costs. As of December 31, 2023, UNION holds positions in USD and GBP in addition to DKK.

The table shows the estimated exposure in USD, GBP and PLN and the net effect it would have had on equity and profit for the year if the year-end exchange rates of USD, GBP and PLN had been 10% higher than the actual exchange rates. A corresponding decrease in the actual exchange rates would have had an opposite (positive/negative) effect on equity and profit for the year.

DKK'000	Cash and cash equivalents	Trade payables	Net position
2023			
USD	16,134	-454	15,680
GBP	11,315	-924	10,391
2022			
USD	17,079	-463	16,616
GBP	13,314	-2,792	10,522
PLN	5,520	-	5,520
2021			
USD	36,041	-645	35,396
GBP	17,721	-2,116	15,605
PLN	10,517	-	10,517

DKK'000	Change in equity	Change in profit for the year
2023		
Change if 10% higher USD-rate than actual rate	1,568	1,560
Change if 10% higher GBP-rate than actual rate	1,039	1,039
2022		
Change if 10% higher USD-rate than actual rate	1,662	1,646
Change if 10% higher GBP-rate than actual rate	1,052	1,052
Change if 10% higher PLN-rate than actual rate	552	552
2021		
Change if 10% higher USD-rate than actual rate	3,540	3,512
Change if 10% higher GBP-rate than actual rate	1,560	1,560
Change if 10% higher PLN-rate than actual rate	1,052	1,052

Credit risk
The primary potential credit risks relate to Cash and cash equivalents. Cash and cash equivalents are not deemed to be subject to any special credit risk as they are deposited with an accredited bank. At December 31, 2023 UNION has no trade receivables (December 31, 2022: none; December 31, 2021: none).

Notes

15. Financial risks continued

Accounting policies

Fair value
Fair value is the price that would be received from sale of an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or settle the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

UNION uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, UNION has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Critical accounting estimates and judgements

Management assessed that cash, trade receivables, trade payables, and other current liabilities (except for cash-settled warrants and European Investment Bank warrant and put option) approximate their carrying amounts largely due to the short-term maturities of these instruments. For information regarding going concern, refer to note 2.

16. European Investment Bank Loan

Loan facility and warrant and put option agreement with the European Investment Bank
In October 2017, UNION entered into a finance contract with the European Investment Bank ensuring a loan facility of EUR 20.0m. Under the finance contract, the loan shall be disbursed in up to two tranches and the repayment date is no later than the fifth anniversary of the relevant disbursement date. The loan agreement is subject to a number of financial and non-financial terms.

In January 2018, UNION called the first of the two tranches under the finance contract. The first tranche totaled EUR 7.0m. The loan and accumulated interest originally fell due for payment in January 2023.

In December 2019, UNION called the second of the two tranches under the finance contract. The second tranche totaled EUR 3.3m. The loan and accumulated interest fall due for payment in December 2024.

Modification of tranche 1 in 2022
In June 2022 the loan period was extended for the tranche 1 loan, meaning the loan and accumulated interest fall due for payment on January 25, 2024.

The present value of cash flow arising from the modification did not exceed 10% compared to the present value of cash-flow before modification. Therefore, the extension of the loan was considered a modification of the existing loan and not a new loan. The modification resulted in a modification loss of DKK 3.1m, reported in 2022 as Financial expenses in the consolidated statement of comprehensive income.

As a result of the modification, UNION is obliged to apply 5% of proceeds in excess of EUR 8.0m from any equity fund raised (excluding an IPO and from any public offerings) occurring between June 1, 2022 and January 23, 2024.

Modification of tranche 1 in 2023
In December 2023 the agreement for tranche 1 was amended. The 2023 addendum stipulates that accrued interest until January 24, 2024, will be capitalized and added to the principal amount. Additionally, an adjustment in the interest rate is outlined, increasing from 10.77% per annum to 12.77% per annum from January 24, 2024 and until maturity (December 18, 2024).

Considering the remaining time to maturity of the original loan relative to the contract terms, and that the extension has been negotiated by independent parties, UNION has accounted for the extension as repayment of the original loan and a replacement by a new loan on the date of the original maturity, being January 24, 2024. As a result no modification gain or loss was reported in 2023 in the consolidated statement of comprehensive income.

As a consequence of the capital increases in December 2022 and July 2023 (refer to note 14), UNION made partial repayments of the tranche 1 loan of DKK 0.1m and DKK 5.1m, respectively.

Notes

16. European Investment Bank Loan continued

Consideration for the loan in the form of warrants
As consideration for the loan, UNION has granted 186,910 warrants to the European Investment Bank that vest relative to the drawdown on the loan in two tranches. Upon drawdown of the first tranche in 2018, 87,220 warrants vested. Upon drawdown of the second tranche in 2019, 25,460 warrants vested, and 74,230 warrants were lapsed and became void.

In 2021, the European Investment Bank has been granted additional 2,892 warrants, as an anti-dilution measure as a consequence of UNION granting additional equity settled warrants to the Board of Directors, members of the Executive Management and key personnel of the company.

In connection with the modification and extension of the loan period of the first tranche in June 2022, the European Investment Bank has been granted an additional 25,431 warrants.

In 2023, the European Investment Bank has been granted an additional 1,700 warrants, as an anti-dilution measure because the Board of Directors' authorization to grant warrants was increased by 100,000 warrants.

142,703 warrants were outstanding at December 31, 2023 (December 31, 2022: 141,003; December 31, 2021: 115,572). Each warrant entitles the European Investment Bank to subscribe for 1 share of nominal DKK 0.1 against payment of exercise price of DKK 0.1. Vested warrants can be exercised in part or in full at any time at the discretion of the European Investment Bank. Warrants not exercised after 20 years shall lapse.

Put option related to repurchase of vested warrants held by the European Investment Bank
The loan agreement further includes an embedded derivative in form of a put option, pursuant to which the European Investment Bank may require UNION to purchase all or part of the vested warrants held by the European Investment Bank at an option price equivalent to the fair value of the warrants at the time of exercise.

Floating charge
As part of the loan agreement, UNION entered into a floating charge agreement pursuant to which a floating charge of EUR 2.0m is pledged. Furthermore, UNION entered into a negative pledge preventing it from subsisting any security over any of its assets. Refer to note 23.

Fair value measurement of warrant and put option
Summary of the assumptions, conditions and other information used in calculating the fair value using the Black-Scholes model relating to the warrant and put option:

	2023	2022	2021
Dividend yield	-	-	-
Volatility (%)	72	71	76
Annual risk-free interest rate	3.2%	1.4%	-0.2%
Market share price at year-end	DKK 248	DKK 248	DKK 160
Exercise price	DKK 0.1	DKK 0.1	DKK 0.1
Life of option	1 year	1-2 years	1-3 years

Sensitivity
At December 31, 2021, December 31, 2022 and December 31, 2023, other things being equal, a 10% increase in the share price will result in a 10% increase in the fair value of the warrant put option. Similarly, a 10% decrease in the share price will reduce the fair value of the warrant put option by 10%.

Reconciliation of fair value measurements under Level 3 hierarchy:

DKK '000	Warrant and put option
At December 31, 2020	18,018
Fair value adjustment through profit or loss (unrealized)	-
Warrants added	462
At December 31, 2021	**18,480**
Fair value adjustment through profit or loss (unrealized)	10,112
Warrants added	6,292
At December 31, 2022	**34,884**
Fair value adjustment through profit or loss (unrealized)	-
Warrants added	421
At December 31, 2023	35,305

Notes

16. European Investment Bank Loan continued

Fair value adjustments through profit or loss are recognized in the statement of comprehensive income as financial income or financial expenses, as applicable.

Accounting policies

A compound financial instrument which contains both a liability and an embedded put option component is separated at the issue date.

When establishing the accounting treatment of these non-derivative instruments UNION first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, or warrant put option instruments in accordance with IAS 32 Financial Instruments: Presentation.

UNION separately recognizes the components of a financial instrument that: (i) creates a financial liability for the company; and (ii) grants a put option to the lender to purchase all or part of the warrants held by the lender.

Classification of the liability and warrant put option components is not revised as a result of a change in the likelihood that the warrant put option will be exercised, even when exercise of the option may appear to have become economically advantageous to the holders. When allocating the initial carrying amount of a compound financial instrument to its liability and warrant put option components, the liability component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the warrant put option component. Subsequent to initial recognition, the liability component is measured at amortized costs and the warrant put option is measured at fair value.

Upon modification of loans UNION determine whether the present value of the cash flows under the new terms is at least 10% different from the present value of the remaining cash flows of the original liability, applying the original effective interest rate. If the difference is 10% or greater, the existing liability is de-recognized and a new financial liability is recognized. If the difference is less than 10% a qualitative assessment for derecognition is performed.

If a qualitative analysis is applied, determining whether the terms are substantially different, from a qualitative perspective, is judgmental and will depend on the specific facts and circumstances of each case. Qualitative factors include, but are not limited to:

Accounting policies continued

- A change in the currency in which the liability is denominated.
- A change in the interest basis (such as a change from fixed rate to floating rate, or vice versa).
- A change in any conversion features in the instrument.
- A substantial change in covenants.

If the terms are not determined to be substantially different it is considered a modification of the existing loan and not a new loan. When modification of loans does not result in a derecognition any modification gain or loss is recognized in the income statement. Modification gains or losses are determined by recalculating the gross carrying amount of the financial liability by discounting the new contractual cash flows using the original effective interest rate.

Critical accounting estimates and judgements

Estimating the fair value of the European Investment Bank warrant and put option requires determination of the most appropriate measuring model and the determination of the most appropriate inputs to the measuring model. UNION measures the fair value by the end of each reporting period by use of the Black-Scholes model. This valuation method requires management to make certain estimates about the model inputs, such as the underlying share price and volatility. The probabilities of the various estimates within the applied range can be reasonably assessed and are used in Management's estimate of fair value. For the European Investment Bank warrant and put option, estimated share price is the most significant input. UNION determines the value of the share price with reference to the share price applied in most recent capital increase transactions and adjusted for any value inflection points.

When determining the accounting consequence of extending the maturity date of the European Investment Bank loan by rolling up interest into a single 'bullet' payment of interest and principal at the end of the loan in exchange for higher interest payments during the extended loan period, management has exercised judgement to determine whether the extension is accounted for as (i) a modification, (ii) an exchange or (iii) as being repaid and replaced by a new loan.

Notes

17. Convertible loans

In July 2021, UNION issued a convertible debt instrument of DKK 62.0m, which was received from various parties, including members of the Board of Directors and Executive Management. UNION elected the fair value option and accounts for both the debt and the embedded derivatives as a single instrument that is measured at fair value, whereby the convertible debenture at initial recognition is designated at fair value and subsequently remeasured with the change being presented on the statement of profit or loss for the reporting period.

On June 30, 2022, lenders holding nominal DKK 45.0m of total DKK 62.0m of the convertible loan agreed to convert the convertible loans including incurred interests into share capital with a discount of 15% (conversion rate of DKK 210 per share). The fair value of the portion of the converted loan that was converted to equity is equal to DKK 57.5m.

On July 13, 2023, lenders holding the remaining nominal DKK 17.0m of the convertible loan agreed to convert the convertible loans including incurred interests into share capital with a discount of 15% (conversion rate of DKK 210 per share). The fair value of the portion of the converted loan that was converted to equity is equal to DKK 23.5m.

The following table summarizes the changes in the convertible debt instrument in 2021, 2022 and 2023:

DKK '000	
Carrying amount at January 1, 2021	-
Amount received July 2021	62,037
Fair value adjustment through profit or loss, included in finance expenses	1,741
Carrying amount at fair value at December 31, 2021	**63,778**
Converted to equity	-57,541
Fair value adjustment through profit or loss, included in finance expenses	13,121
Carrying amount at fair value at December 31, 2022	**19,358**
Converted to equity	-23,540
Fair value adjustment through profit or loss, included in finance expenses	4,182
Carrying amount at fair value at December 31, 2023	**0**

The convertible loan was at each applicable balance sheet date and upon conversion measured at fair value (level 3) taking into account:

- The convertible loan is a fixed rate loan carrying an interest rate of 9% with maturity on July 16, 2024.
- The convertible loan is denominated in DKK.
- Conversion or repayment at maturity. On the maturity date, July 16, 2024, UNION has the discretion to (i) convert the loan into new shares of the company at the share price at the latest capital increase with a discount of 15%. If the loan is converted at maturity, the conversion price has a cap of DKK 160 per share less 15%; or (ii) repay the loan in cash to the extent that the loan amount and accrued interest has not been converted into shares and the company's existing loan to European Investment Bank has been repaid or consent has been provided by European Investment Bank, though with bondhold discretion to elect conversion to equity.
- Mandatory conversion in the occurrence of an exit-event including (i) an admission to trading of the company's shares on a regulated market (IPO), (ii) a trade sale of more than 90% of the company's shares and (iii) an equity financing with issuance of new shares with proceeds of minimum DKK 120m.
- Conversion or repayment in connection with a De-SPAC transaction. In the event of a De-SPAC transaction the lenders have the discretion to demand the outstanding loan amount repaid in cash or converted into shares with a conversion price equal to the final offer price with a discount of 15%. In the event of a De-SPAC transaction the lenders may elect to demand the loan repaid in cash against receiving additional 6% interest rate.

Since the convertible debt instrument includes conversion features resulting in settlement in a variable number of shares, the convertible debt instrument does not comprise an equity component. The convertible debt instrument includes the following elements:

- Fixed rate debt host contract.
- Embedded prepayment option (exit event).
- Embedded prepayment option (De-SPAC).
- Cap on conversion price at maturity.

Notes

17. Convertible loans continued

Accounting policies

Convertible debt instrument determined to be a financial instrument is, as required by IAS 32 and IFRS 9, separated into its components: debt, and embedded derivatives related to the conversion features; conversion or repayment at maturity, mandatory conversion in the occurrence of an exit event, or conversion or repayment in connection with a De-SPAC transaction.

UNION has elected the fair value option and accounts for both the debt and the embedded derivatives as a single instrument that is measured at fair value, whereby the convertible debenture at initial recognition is designated at fair value through profit or loss. At each reporting date the entire agreement is remeasured at fair value, whereby:

- changes in fair value related to changes in UNION's own credit risk is presented in other comprehensive income, and
- all other changes in fair value to be presented in the income statement.

Amounts recognized in other comprehensive income are not subsequently to be recycled to the income statement.

Upon the conversion, the fair value of the converted portion of the convertible loan is transferred to equity. The increase in equity is distributed between share capital and accumulated deficit/retained earnings in the ratio between the nominal value of the shares and the conversion price.

Critical accounting estimates and judgements

UNION has elected the fair value option for including embedded derivatives with their debt hosts and the combined instruments are measured at fair value. In order to value these various instruments, UNION makes assumptions and estimates concerning variables such as discount rates, probability of exit events taking place, and the timing of such exit events. The assumptions of future outcomes, and other sources of estimating uncertainty concerning the determination of key inputs to the valuation models, are based on management's best assessment using the knowledge available, management's historical experiences as well as other factors that are considered to be relevant. The estimates and assumptions are reviewed on an ongoing basis.

18. Other payables

DKK'000	2023	2022	2021
Salary related payables	2,105	1,242	1,711
Cost accruals	9,174	18,789	25,059
Other payables	20	178	423
	11,299	**20,209**	**27,193**

Cost accruals primarily comprise of accruals for clinical research organizations costs. The lower cost accruals at year-end 2023 compared to 2022 and 2021, is primarily due to reduced level of CRO activities at year end 2023.

Accounting policies

For accounting policies regarding accrual for costs not yet invoiced, refer to note 4.

Notes

19. Related party disclosures

Related parties exercising control or significant influence
As of December 31, 2021, 2022 and 2023, there are no related parties that individually or jointly exercise control over UNION therapeutics A/S.

Related Parties with significant influence
As of December 31, 2021, 2022 and 2023 Vendler Alpha ApS and Manjin Holding ApS, which are controlled by the two founders and current members of the Board of Directors and the Executive Management, Rasmus Vendler Toft-Kehler and Morten Sommer, respectively, hold 24.40% (2022: 26.15%; 2021: 28.11%) each of the share capital and voting rights of UNION therapeutics A/S.

Related parties with significant influence also comprise the board members and companies controlled by board members. For remuneration of the board of directors refer to note 5 and note 6.

Key management personnel
Key management personnel comprise the Executive Management of UNION.
For disclosures of compensation to the Board of Directors and Key management personnel, including the Executive Management, refer to note 5 and note 6.

DKK'000	2023	2022	2021
Transactions with related parties with significant influence, Board of Directors and Key management personnel:			
Research and development costs * **	430	913	2,103
Administrative costs**	-	-	501
Year end balances arising from transactions with related parties exercising control, Board of Directors and Key management personnel:			
Convertible loan	-	-	3,227
Trade payables	177	-	25

* The company has received consultancy services from a company which is 50% owned by the Chairperson of the Board of Directors. There have been no expenses related to such services in 2023 (2022: DKK 45 thousand; 2021: DKK 60 thousand).

** The Company receives recruitment services from a company where a significant part of the shares ultimately is owned by Rasmus Vendler Toft-Kehler and Morten Sommer.

In July 2021, UNION received a convertible debt instrument of DKK 62.0m from various parties, including Board of Directors and Executive Management. At December 31, 2021, the Board of Directors and Executive Management's part of the loan totaled DKK 3.4m. On June 30, 2022, the Board of Directors and Executive Management agreed to convert the convertible loans into share capital.

Subsidiaries
Balances and transactions between UNION therapeutics A/S and its subsidiaries have been eliminated during consolidation and are not disclosed in this note.

Other related parties
Other related parties include subsidiaries and associates of shareholders with significant influence and companies controlled by and close family members of members of executive management or members of the board of directors.

DKK'000	2023	2022	2021
Transactions with Other related parties:			
Research and development costs*	-	373	490
Year end balances arising from transactions with Other related parties:			
Convertible loan	-	-	167

* The company has received employee services from the spouse of one of the members of the Board of Directors and Executive Management. The employee was terminated in September 2022, as there was no employee benefits in 2023 (2022: DKK 373 thousand; 2021: DKK 490 thousand).

Notes

20. Changes in liabilities arising from financing activities

2023

			Non-cash changes				
DKK'000	2022	Cash flows	Conversion to equity	Addition during the period	Fair value adjustment/ Interest	Foreign exchange adjustment	2023
Short/long debt	107,224	-5,148	-	-	12,337	-	114,413
Convertible loan	19,358	-	-23,540	-	4,182	-	0
Leasing liability	1,035	-796	-	1,063	58	-	1,360
Total	**127,617**	**-5,944**	**-23,540**	**1,063**	**16,577**	**0**	**115,773**

2022

			Non-cash changes				
DKK'000	2021	Cash flows	Conversion to equity	Addition during the period	Fair value adjustment/ Interest	Foreign exchange adjustment	2022
Short/long debt	99,286	-126	-	-	8,064	-	107,224
Convertible loan	63,778	-	-57,541	-	13,121	-	19,358
Leasing liability	1,090	-564	-	456	53	-	1,035
Total	**164,154**	**-690**	**-57,541**	**456**	**21,238**	**0**	**127,617**

2021

			Non-cash changes				
DKK'000	2020	Cash flows	Conversion to equity	Addition during the period	Fair value adjustment/ Interest	Foreign exchange adjustment	2021
Short/long debt	88,894	-	-	-	10,429	-37	99,286
Convertible loan	-	62,037	-	-	1,741	-	63,778
Lease liability	167	-312	-	1,203	32	-	1,090
Total	**89,061**	**61,725**	**0**	**1,203**	**12,202**	**-37**	**164,154**

21. Cash flow statement – adjustment for non-cash items

DKK'000	2023	2022	2021
Income taxes	-5,359	-5,454	-5,475
Depreciation and amortization	934	746	351
Financial costs/income	14,734	35,983	10,229
Share-based compensation costs	9,323	21,467	9,024
	19,632	**52,742**	**14,129**

22. Cash flow statement – changes in net working capital

DKK'000	2023	2022	2021
Changes in other receivables	24	1,515	7,362
Changes in VAT receivables	2,100	1,438	-3,253
Changes in prepayments	-3	1,838	-2,051
Changes in employee related liabilities	694	-707	221
Changes in trade payables	-8,950	6,319	4,074
Changes in other liabilities	-11,903	-11,577	28,409
	-18,038	**-1,174**	**34,762**

Notes

23. Contingent assets and liabilities, contractual obligations and pledges

Pledges: European Investment Bank loan, floating charge, pledges, and mandatory partial prepayment
UNION has entered into a floating charge agreement with the European Investment Bank pursuant to which a floating charge of EUR 2.0m (2022: EUR 2.0m; 2021: EUR 2.0m) is pledged.

The European Investment Bank loan also contains certain covenants in respect of the future maintenance and conduct of the company's business, including restrictive covenants such as restrictions on providing security (negative pledge), disposal of assets, distribution of dividends, repurchase of shares, incurrence of financial indebtedness, change of business, mergers, granting loans and guarantees, and requirements to provide financial and certain other information to the European Investment Bank.

The European Investment Bank loan also contains customary events of default, including, non-payment, breach of covenants, material breach of representations and warranties, cross-default, certain insolvency and bankruptcy events and judgements against the company and a material adverse change clause and change-of-control repayment requirement in the event of a third-party obtaining control over the company.

The UNION is obligated to make mandatory partial prepayments of the European Investment Bank loan in the period from June 1, 2022 to January 23, 2024 for amounts equal to 5% of the net proceeds from any private placements of new shares and share like instruments above a floor of EUR 8 million (on a cumulative basis).

Bank accounts in UNION therapeutics Germany GmbH have been pledged as security for outstanding credit card debt in the entity. The outstanding amount at December 31, 2023 is immaterial.

Contingent assets: Payments under out-license agreements
UNION is entitled to potential milestone payments and royalties upon materialization of certain scientific regulatory milestones and on successful commercialization of products developed under license agreements with Innovent Biologics Inc (reference is made to note 3). Since the size and timing of such payments are uncertain until the milestones are reached or sales are generated, the agreements may qualify as contingent assets. However, it is associated with a high degree of uncertainty to measure the value of such contingent assets, and, accordingly, no such assets have been recognized.

Contingent payment and acquisition of intangible rights
Under the terms of the agreement with LEO Pharma A/S, UNION agreed to make future payments to LEO Pharma A/S that are contingent upon the achievement of specified clinical, regulatory, and sales milestones. UNION applies the cost accumulation method for the accounting for such contingent payments.

Under the agreement with LEO Pharma A/S, UNION will, subject to meeting certain clinical, regulatory, and sales milestones, pay in cash to the seller up to USD 202m equivalent to DKK 1,240m. Also, UNION will pay to the seller a low single-digit percentage royalty applied on net sales of covered products until the expiry of the royalty term which ends at the latest on the twelfth anniversary of the first commercial sale of covered products.

24. Events after the balance sheet date

No significant events after the balance sheet date, that could be of material importance to the company's financial position.

Parent company financial statements

Main statements

Notes

Statement of comprehensive income or loss

DKK'000	Notes	2023	2022	2021
Revenue	3	2,299	34,393	118,912
Research and development costs	4	-140,904	-187,140	-155,528
Administrative costs	4	-21,902	-31,583	-21,724
Operating result before other income		**-160,507**	**-184,330**	**-58,340**
Other operating income	7	-	-	5,980
Operating result		**-160,507**	**-184,330**	**-52,360**
Dividend from subsidiaries		233	-	-
Financial income	8	2,706	2,721	4,289
Financial expenses	8	-17,436	-38,809	-13,823
Result before tax		**-175,004**	**-220,418**	**-61,894**
Tax income/(expenses)	9	5,500	5,500	5,500
Result for the year		**-169,504**	**-214,918**	**-56,394**
Other comprehensive income or loss				
Items that may be reclassified to profit or loss in subsequent periods, net of tax				
Exchange differences on translation of foreign operations		-	-	-
Other comprehensive result for the year, net of tax		**0**	**0**	**0**
Total comprehensive result for the year		**-169,504**	**-214,918**	**-56,394**

Result for the year and total comprehensive result is attributable to the shareholders of UNION therapeutics A/S.

Cash flow statement

DKK'000	Notes	2023	2022	2021
Result for the year		-169,504	-214,918	-56,394
Adjustment for non-cash items	21	19,188	52,872	12,827
Changes in net working capital	22	-16,805	-1,122	34,725
Changes in non-current financial assets		-94	-43	-130
Interest received		2,693	401	-
Interest paid		-106	-1,139	-1,158
Income taxes received/(paid)		5,500	5,500	5,500
Cash flow from operating activities		**-159,128**	**-158,449**	**-4,630**
Investment in property, plant and equipment	11	-113	-169	-140
Cash flow from investing activities		**-113**	**-169**	**-140**
Proceeds from capital increase		102,647	62,037	154,786
Proceeds from exercise of warrants		45	201	-
Costs associated with capital increase		-23	-100	-15
Proceeds from issuance of convertible loans	17	-	-	62,037
Repayment of loans	20	-5,148	-126	-
Dividend received from subsidiaries		233	-	-
Lease installments	20	-796	-564	-312
Cash flow from financing activities		**96,958**	**61,448**	**216,496**
Net cash flow for the year		**-62,283**	**-97,170**	**211,726**
Cash at the beginning of the year		156,572	251,335	36,027
Exchange rate adjustments of cash		-332	2,407	3,582
Cash and cash equivalents at end of the year		**93,957**	**156,572**	**251,335**
Cash and cash equivalents as per statement of financial position		**93,957**	**156,572**	**251,335**

Statement of financial position

DKK'000	Notes	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
Assets				
Non-current assets				
Intangible assets	10	16,566	16,566	16,566
Property, plant and equipment	11	1,285	1,040	1,160
Investments in subsidiaries	13	226	226	226
Other receivables	12	388	294	252
Total non-current assets		**18,465**	**18,126**	**18,204**
Current assets				
Tax receivables	9	5,500	5,500	5,500
Receivables from group entities	19	65	1,290	1,120
Other receivables	12	1,100	3,269	7,908
Cash and cash equivalents		93,957	156,572	251,335
Total current assets		**100,622**	**166,631**	**265,863**
Total assets		**119,087**	**184,757**	**284,067**

DKK'000	Notes	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
Equity and liabilities				
Equity				
Share capital	14	761	710	660
Other reserves		-63,727	-29,696	48,042
Total equity		**-62,966**	**-28,986**	**48,702**
Non-current liabilities				
Long-term debt	15 ,16	-	107,224	99,286
Cash-settled warrant obligation	6	9,998	9,990	6,074
Deferred revenue	3	-	-	876
Convertible loans	17	-	19,358	63,778
Lease liabilities	15	543	221	661
Total non-current liabilities		**10,541**	**136,793**	**170,675**
Current liabilities				
Short-term part of long-term debt	15 , 16	114,413	-	-
Lease liabilities	15	817	814	429
Trade payables	15	8,788	17,728	11,391
Warrant and put option	16	35,305	34,884	18,480
Deferred revenue	3	621	2,920	7,344
Payables to group entities	19	502	735	430
Other payables	18	11,066	19,869	26,616
Total current liabilities		**171,512**	**76,950**	**64,690**
Total liabilities		**182,053**	**213,743**	**235,365**
Total equity and liabilities		**119,087**	**184,757**	**284,067**

Statement of changes in equity

DKK’000	Notes	Share capital	Other reserves (Accumulated deficit)/ Retained earnings	Total
Equity at January 1, 2023		**710**	**-29,696**	**-28,986**
Result for the period		-	-169,504	-169,504
Other comprehensive income or loss		-	-	0
Total comprehensive result for the year		**0**	**-169,504**	**-169,504**
Transactions with owners:				
Exercise of warrants	14	1	44	45
Conversion of convertible loans	17	9	23,531	23,540
Capital increase	14	41	102,606	102,647
Costs associated with capital increase		-	-23	-23
Share-based compensation	6	-	9,315	9,315
Equity at December 31, 2023		**761**	**-63,727**	**-62,966**

DKK’000	Notes	Share capital	Other reserves (Accumulated deficit)/ Retained earnings	Total
Equity at January 1, 2022		**660**	**48,042**	**48,702**
Result for the period		-	-214,918	-214,918
Other comprehensive income or loss		-	-	-
Total comprehensive result for the year		**0**	**-214,918**	**-214,918**
Transactions with owners:				
Exercise of warrants	14	2	199	201
Conversion of convertible loans	17	23	57,518	57,541
Capital increases	14	25	62,012	62,037
Costs associated with capital increase		-	-100	-100
Share-based compensation	6	-	17,551	17,551
Equity at December 31, 2022		**710**	**-29,696**	**-28,986**
Equity at January 1, 2021		**563**	**-59,248**	**-58,685**
Result for the period		-	-56,394	-56,394
Other comprehensive income or loss		-	-	-
Total comprehensive result for the year		**0**	**-56,394**	**-56,394**
Transactions with owners:				
Capital increases	14	97	154,689	154,786
Costs associated with capital increase		-	-15	-15
Share-based compensation	6	-	9,010	9,010
Equity at December 31, 2021		**660**	**48,042**	**48,702**

Notes

1. Accounting policies

Basis of preparation
The parent company financial statements of UNION therapeutics A/S have been prepared in accordance with IFRS accounting standards as adopted by the EU and additional Danish requirements. The accounting policies are the same as for the consolidated financial statements with the supplementary accounting policies for the parent described in note 13. For a detailed description of the accounting policies of the group, please refer to individual notes in the consolidated financial statements.

The parent company financial statements are presented in DKK.

2. Critical accounting estimates and judgements

In respect of the financial reporting for the parent company, no accounting estimates or judgements, in addition to the critical accounting estimates and judgements described in note 2 to the consolidated financial statements, are made when applying the parent company's accounting policies, which are significant to the financial reporting apart from those disclosed in individual notes in the consolidated financial statements.

3. Revenue

Revenue from license and collaboration agreements may vary from period to period as revenue may comprise license revenue, sales-based royalties, development milestones and regulatory milestone payments, research and development services and option fees.

Innovent agreement
Revenue from license and collaboration agreements may vary from period to period as revenue may comprise license revenue, sales-based royalties, development milestones and regulatory milestone payments, research and development services and option fees.

As announced September 28, 2021, UNION therapeutics A/S entered into a strategic collaboration and license agreement for orismilast, a next-generation PDE4 inhibitor currently in development for inflammatory dermatology conditions, with Innovent Biologics, Inc. (the Innovent Agreement). As part of the Innovent Agreement, UNION therapeutics A/S received a non-refundable, non-creditable and not subject to off-set up-front payment of USD 20m (DKK 127m) and is eligible to receive future contingent milestones and option payments of up to USD 250m, of which up to USD 89m is contingent on the achievement of certain development and regulatory milestones across multiple therapeutic indications and up to USD 158m is contingent on the achievement of certain sales-based milestones. Lastly, the company is entitled to receive a sales-based royalty fee ranging from a high single digit to a low twenties percentage of all net sales of orismilast in Greater China (Mainland China, Hong Kong, Macau and Taiwan) by or on behalf of Innovent.

Within the Innovent Agreement, UNION therapeutics A/S identified three performance obligations: (i) delivery of license for orismilast (at a point in time), (ii) delivery of Phase 2 study data for orismilast (over time) (iii) option to enter into agreement regarding topical formulation (at a point in time).

Out of the total contract value of DKK 1,175m (USD 270m) excluding royalties, the upfront payment of DKK 127m has been determined as the transaction price, as the future potential milestone and option amounts were not deemed to be highly probable as they are contingent upon success in future clinical trials and regulatory approvals which are not within UNION therapeutics A/S' control. Milestones will be recognized when their achievement are deemed to be highly probable, and a significant revenue reversal would not occur. Upon commercialization of products, if any, under this agreement, royalties and net sales-based milestones will be recognized when the related sales occur.

The transaction price of DKK 127m was at the inception of the contract allocated to the performance obligations based on the best estimate of relative stand-alone selling prices. As such, DKK 117m was allocated to the performance obligation related to the delivery of license of orismilast, and DKK 10m was allocated to the performance obligation related to the delivery of Phase 2 study data for orismilast.

Notes

3. Revenue continued

The performance obligations related to the delivery of licenses were completed at a point in time (September 2021) and UNION therapeutics A/S recognized DKK 117.0m as revenue in 2021. The performance obligation regarding Phase 2 study data will be completed as the studies progress. Revenue is recognized over time applying an input approach based on incurred cost as a percentage of total expected cost.

In 2023 DKK 2.3m (2022: DKK 5.3m; 2021: DKK 1.9m) was recognized as License revenue from upfront payment recognized over time reflecting the progress of the Phase 2 studies.

On July 25, 2022, Innovent received Chinese Investigational New Drug (IND) clearances for psoriasis and atopic dermatitis. Two development milestones totaling USD 4.0m (DKK 29.1m) were contingent on the achievement of the IND clearances. Accordingly, DKK 29.1m is recognized as License revenue from milestones recognized at a point in time in 2022.

100% of UNION therapeutics A/S' revenue in 2021, 2022 and 2023 arise from the Innovent agreement. Payment terms are between 30 and 60 days.

Revenue

DKK'000	2023	2022	2021
License revenue from upfront payment recognized over time	2,299	5,300	1,886
License revenue from upfront payment recognized at a point in time	-	-	117,026
License revenue from milestones recognized at a point in time	-	29,093	-
	2,299	**34,393**	**118,912**
Geographical split of revenue:			
Denmark	-	-	-
Mainland China, Hong Kong, Macau and Taiwan	2,299	34,393	118,912
	2,299	**34,393**	**118,912**

Deferred revenue
Deferred revenue at December 31, 2023 of DKK 0.6m (December 31, 2022: DKK 2.9m; December 31, 2021: DKK 8.2m) represents the aggregated amount of the transaction price allocated to the performance obligations (delivery of Phase 2 study data for orismilast) that are unsatisfied at the end of the reporting period. Deferred revenue of DKK 0.6m presented as Current (December 31, 2022: DKK 2.9m; December 31, 2021: DKK 7.3m), relates to performance obligations that UNION therapeutics A/S expects to satisfy during the coming twelve months, whereas the Non-current portion of DKK 0m (December 31, 2022: DKK 0m; December 31, 2021: DKK 0.9m) represents performance obligations that UNION therapeutics A/S expects to satisfy after the coming twelve months.

Deferred revenue

DKK'000	2023	2022	2021
At January 1	2,920	8,220	-
Portion of upfront payment recognized over time	-	-	10,106
Recognized as revenue	-2,299	-5,300	-1,886
At December 31	**621**	**2,920**	**8,220**
Of which is presented as:			
Non-current	-	-	876
Current	621	2,920	7,344
	621	**2,920**	**8,220**

Joint arrangements
For the Innovent agreement UNION therapeutics and Innovent Biologics have agreed an initial joint development plan in respect of activities that support the development of orismilast. Costs under any such joint development plan will be shared between Innovent Biologics and UNION therapeutics A/S, with UNION therapeutics A/S covering 90% and Innovent Biologics covering 10% of such costs.

Notes

4. Research and development costs and Administrative costs

DKK'000	Notes	2023	2022	2021
Research and development costs				
Employee benefit costs	5	27,300	29,447	20,870
Share-based compensation	6	6,677	13,080	6,740
External costs		106,927	144,613	127,918
		140,904	**187,140**	**155,528**

Finalization of the Phase 2b study in psoriasis in 2023, was the primary driver of the decrease in research and development costs in 2023 compared to 2022 and 2021.

DKK'000	Notes	2023	2022	2021
Administrative costs				
Employee benefit costs	5	10,208	10,858	7,451
Share-based compensation	6	2,646	8,387	2,275
External costs		8,117	11,593	11,647
Depreciation	11	931	745	351
		21,902	**31,583**	**21,724**

The administrative functions were strengthened in 2021 resulting in higher employee costs in 2022. External costs in 2021 and 2022 were at a higher level compared to 2023 due to system, process, and compliance optimization efforts together with preparations for future growth supported by external service providers. In 2023 focus shifted to maintenance of systems, resulting in reduced external costs.

5. Staff costs

DKK'000	Notes	2023	2022	2021
Wages and salaries		31,611	34,602	25,293
Defined contribution plans		1,365	1,557	1,005
Other social security costs		3,243	3,180	1,452
Share-based compensation	6	9,323	21,467	9,015
Other staff costs		1,289	966	571
		46,831	**61,772**	**37,336**
Research and development costs		33,977	42,527	27,610
Administrative costs		12,854	19,245	9,726
		46,831	**61,772**	**37,336**
Average number of full-time equivalents		29	34	23

Staff costs primarily consist of salaries, other social security expenses and share-based compensation.

Notes

5. Staff costs continued

Remuneration to Board of Directors and Executive Management

	2023		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	1,340	7,207	8,547
Share-based compensation	863	4,419	5,282
Social security	-	10	10
	2,203	**11,636**	**13,839**

	2022		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	1,295	7,239	8,534
Share-based compensation	7,303	6,113	13,416
Social security	-	10	10
	8,598	**13,362**	**21,960**

	2021		
DKK'000	**Board of Directors**	**Executive Management**	**Total**
Wages and salaries	850	6,938	7,788
Share-based compensation	1,819	3,545	5,364
Social security	-	10	10
	2,669	**10,493**	**13,162**

Executive Management members are the key management personnel of UNION therapeutics A/S.

6. Share-based payment

Warrant programs
UNION has established share-based incentive programs (equity-settled and cash-settled) for members of the Board of Directors, members of the Executive Management and employees in the form of warrants. Warrants are granted by the Board of Directors in accordance with authorizations given to it by the general meeting of shareholders and as incorporated into the company's articles of association.

The table below summarizes share-based compensation expenses included in the statement of comprehensive income:

DKK'000	**2023**	**2022**	**2021**
Research and development costs, from equity-settled warrants	6,669	9,164	6,735
Research and development costs, from cash-settled warrants	8	3,916	5
Administrative costs, from equity-settled warrants	2,646	8,387	2,275
Administrative costs, from cash-settled warrants	-	-	-
	9,323	**21,467**	**9,015**

Warrants granted in February 2017 (cash-settled)
In April 2017, the general meeting of shareholders granted warrants with rights to subscribe for up to 44,654 shares of nominally DKK 0.1 with an exercise price of DKK 24 per warrant. At December 31, 2023, the Board of Directors have granted in total 44,654 (December 31, 2022: 44,654; December 31, 2021: 44,654). These warrants vest and become exercisable upon an "exit event", defined as an event of IPO, merger, demerger, or solvent liquidation, which triggers an immediate expense recognition upon grant. These warrants may be settled in equity instruments of the company or in cash at the discretion of the warrant holder. Accordingly, these warrants are classified as cash-settled warrants. The life of the warrants is eight years from the date of grant. Upon occurrence of an 'exit event' the warrant holder has fourteen days to exercise the warrants or the warrants will lapse.

Warrants granted from November 2017 (equity-settled)
In November 2017, the Board of Directors were authorized to grant warrants for up to 250,000 shares of nominally DKK 0.1 per warrant in the company in the period until March 31, 2024. In June 2020, the Board of Directors was authorized to grant warrants for up to an additional 250,000 shares in the company in the period until June 25, 2025. In July 2023 the June 2020 authorization was extended until 4 July 2028 and increased by 100,000 warrants. At December 31, 2023, the Board of Directors have granted in total 478,670 (December 31, 2022: 438,670; December 31, 2021: 419,230) warrants adjusted for expired and exercised warrants under this authorization. Warrants granted under the equity incentive plans are classified as equity settled and generally vest over four years' service periods in periodic installments that may or may not be equal, which triggers linear or graded vesting profiles. Certain warrants under this program vest immediately upon grant. The contractual life of the warrants varies from 4-10 years from the date of grant.

Notes

6. Share-based payment continued

The following schedule specifies the movements of number and weighted average exercise price of outstanding warrants for 2021, 2022 and 2023:

Equity-settled warrants

	Number of warrants				Weighted average exercise price per warrant (DKK)	Weighted average grant date fair value per warrant (DKK)
	Board of Directors	Executive Manage-ment	Em-ployees	Total		
Outstanding, December 31, 2020	**71,080**	**80,000**	**84,850**	**235,930**	**63**	**35**
Granted during the period	37,500	105,960	39,840	183,300	97	110
Outstanding, December 31, 2021	**108,580**	**185,960**	**124,690**	**419,230**	**78**	**68**
Granted during the period	25,000	18,920	32,000	75,920	64	179
Expired during the period	-25,125	-	-10,400	-35,525	82	33
Exercised during the period	-20,955	-	-	-20,955	10	4
Outstanding, December 31, 2022	**87,500**	**204,880**	**146,290**	**438,670**	**78**	**93**
Granted during the period	-	24,000	42,700	66,700	48	212
Forfeited during the period	-	-	-12,875	-12,875	40	137
Expired during the period	-	-	-12,700	-12,700	82	41
Exercised during the period	-	-	-1,125	-1,125	40	130
Outstanding, December 31, 2023	**87,500**	**228,880**	**162,290**	**478,670**	**75**	**110**
Exercisable warrants at December 31, 2023				350,225	78	
Exercisable warrants at December 31, 2022				289,191	78	
Exercisable warrants at December 31, 2021				183,421	75	

The weighted average share-price at exercise was DKK 248 (2022: DKK 160) per share of nominal DKK 0.1 each. The weighted average remaining contractual life for outstanding equity-settled warrants was 2.9 years at December 31, 2023 (December 31, 2022: 3.5 years; December 2021: 3.8 years). The range of the exercise price for outstanding equity-settled warrants was DKK 0.1-160 at December 31, 2023 (December 31, 2022: 0.1-160; December 31, 2021: 0.1-124).

Cash-settled warrants

	Number of warrants		Weighted average exercise price per warrant (DKK)	Weighted average grant date fair value per warrant (DKK)
	Former employees	Total		
Outstanding, December 31, 2020	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2021	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2022	**44,654**	**44,654**	**24**	**10**
Granted during the period	-	-	-	-
Outstanding, December 31, 2023	**44,654**	**44,654**	**24**	**10**
Exercisable warrants at December 31, 2023		-	n/a	
Exercisable warrants at December 31, 2022		-	n/a	
Exercisable warrants at December 31, 2021		-	n/a	

The weighted average remaining contractual life for outstanding cash-settled warrants was 1.1 years at December 31, 2023 (December 31, 2022: 2.1 years; December 31, 2021: 3.1 years).

The exercise price for outstanding cash-settled warrants was DKK 24 at December 31, 2023 (December 31, 2022: 24; December 31, 2021: 24).

Notes

6. Share-based payment continued

Determination of fair value of warrants
UNION determines and calculates the fair value of each equity-settled warrant at grant date and for each cash-settled warrant, at each balance sheet date, using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions such as:

- Dividend yield: Is determined to be zero.
- The expected stock price volatility: As it is not possible to estimate the expected volatility of a non-publicly listed entity's share price, UNION has estimated the fair value of its warrants by using the volatility of an appropriate peer group of listed international biotechnology companies.
- The risk-free interest rate, which is based on the Danish government bonds having a yield with a maturity equal to the expected term of the option in effect at the time of grant.
- The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the warrant program.
- Estimate of UNION therapeutics A/S' market share price. As UNION therapeutics A/S is not listed on a stock exchange, the estimated fair value of the warrants at each measuring date, using the Black-Scholes model, has been established by assuming that the value of UNION therapeutics A/S' shares is the price per share determined at the latest financing round and considering additional subsequent valuation inflection points and relevant facts and circumstances.

Valuation assumptions for warrants in 2021, 2022 and 2023
The fair value at each measuring date in 2021, 2022 and 2023 is measured using the following significant assumptions:

	2023	2022	2021
Equity-settled warrants			
Dividend yield	-	-	-
Volatility (%)	80	69	54-76
Risk-free interest rate	2.8%	1.2%	-0.2% - -0.4%
Market share price range applied	DKK 248	DKK 160-248	DKK 160
Exercise price	DKK 0.1-160	DKK 0.1-160	DKK 0.1-124
Expected contractual life of equity-settled warrants granted	5 years	5 years	5 years
The grant date fair value per warrant	DKK 172-222	DKK 86-217	DKK 83-160

	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Cash-settled warrants			
Dividend yield	-	-	-
Volatility (%)	72	71	76
Risk-free interest rate	3.2%	1.4%	-0.2%
Market share price at year end	DKK 248	DKK 248	DKK 160
Exercise price	DKK 24	DKK 24	DKK 24
Expected life of cash-settled warrants at end period	1.1 years	2.1 years	3.1 years
The end period fair value per warrant	DKK 224	DKK 224	DKK 136

Reconciliation of fair value of cash-settled warrants:

DKK'000	Cash-settled warrants
At January 1, 2021	6,069
Fair value adjustment through comprehensive income	5
At December 31, 2021	**6,074**
Fair value adjustment through comprehensive income	3,916
At December 31, 2022	**9,990**
Fair value adjustment through comprehensive income	8
At December 31, 2023	**9,998**

Notes

7. Other operating income

Other operating income consists of government grants and other items secondary to the company's activities. In 2020 UNION received a governmental grant from Innovation Fund Denmark. The grant provides compensation for a part of certain project-specific research and development expenses, including wages and salaries. In 2021 the remaining conditions attached to the government grant were fulfilled and the remaining part of the grant was recognized in the consolidated comprehensive income.

In 2023, UNION recognized DKK 0m (2022: DKK 0m; 2021: DKK 6.0m) as Other operating income, hereof income from the government grant accounts for DKK 0m (2022: DKK 0m; 2021: DKK 6.0m).

8. Financial items

Financial income

DKK'000	Notes	2023	2022	2021
Interest income		2,693	401	-
Interest income, Group entities		13	33	3
Foreign exchange gains, net		-	2,287	4,286
		2,706	**2,721**	**4,289**

Financial expenses

DKK'000	Notes	2023	2022	2021
Interest expenses		-	1,167	1,159
Interest expenses, lease liabilities		58	53	32
Fair value adjustment, Convertible debt (unrealized)	17	-	1,881	1,741
Fair value adjustment, Convertible debt (realized)	17	4,182	11,240	-
Interest expenses, European Investment Bank loan	16	12,756	11,240	10,891
Modification loss, European Investment Bank loan	16	-	3,116	-
Foreign exchange loss, net		440	-	-
Fair value adjustment, warrant and put option (unrealized)	16	-	10,112	-
		17,436	**38,809**	**13,823**

Foreign exchange losses in 2023 are primarily related to USD cash positions.

The fair value adjustment of convertible debt in 2022 and 2023 was due to conversion of nominal DKK 45.0m and nominal DKK 17.0m of the convertible loan into share capital in 2022 and 2023, respectively.

Notes

9. Income taxes

The major components of income taxes for the years ended December 31, 2021, 2022 and 2023 are:

DKK'000	2023	2022	2021
Income taxes in the statement of profit or loss			
Net result before tax	-175,004	-220,418	-61,894
Corporate income tax rate in Denmark	22%	22%	22%
Computed corporate tax expense/(income)	**-38,501**	**-48,492**	**-13,617**
Prior year adjustments	-	-2	1,983
Adjustment for non-deductible expenses	34	1,579	3,748
Adjustment for dividends from subsidiaries	-51	-	-
Adjustment for research and development super deduction	-3,618	-4,468	-7,532
Adjustment for warrant expense (equity- and cash-settled)	2,051	4,723	1,560
Change in deferred tax asset not recognized	34,585	41,160	8,358
Tax expense/(income) for the period	**-5,500**	**-5,500**	**-5,500**
Deferred tax in the statement of financial position			
Tax deductible losses	58,699	33,188	15,952
Research and Development capitalized for tax purpose	41,697	33,072	11,312
Other temporary differences	7,969	7,521	5,420
Deferred tax assets/(liabilities) at December 31	**108,365**	**73,781**	**32,684**
Deferred tax assets not recognized			
Deferred tax assets not recognized	-108,365	-73,781	-32,684
Deferred tax at December 31	**0**	**0**	**0**

The biotechnology and pharmaceutical industry is subject to considerable risks and uncertainties. UNION therapeutics has so far reported significant losses and, consequently, has unused tax losses. Management has concluded that deferred tax assets should not be recognized at December 31, 2023. (none recognized at December 31, 2022 and December 31, 2021) due to the uncertainty related to future utilization of tax loss carried forward.

Income tax receivables are recognized in accordance with the Danish tax credit scheme (Skattekreditordningen). Companies covered by the tax credit scheme may obtain payment of the tax base of losses originating from research and development expenses of up to DKK 25m (tax value of DKK 5.5m). Under Danish tax legislation, UNION therapeutics is eligible to receive DKK 5.5m in 2023 (2022: DKK 5.5m; 2021: DKK 5.5m) in cash relating to the surrendered tax loss based on qualifying research and development expenses. These tax receipts comprise the majority of the current tax income in 2021, 2022 and 2023, respectively.

10. Intangible assets

	Patents, trademarks and other rights		
DKK'000	2023	2022	2021
Cost			
At January 1	16,566	16,566	16,566
Additions	-	-	-
At December 31	**16,566**	**16,566**	**16,566**
Amortization			
At January 1	-	-	-
Additions	-	-	-
At December 31	**0**	**0**	**0**
Carrying amount			
At December 31	**16,566**	**16,566**	**16,566**

Notes

10. Intangible assets continued

Acquisition of PDE4-inhibitor program
The intangible assets consist of certain intangible rights in the form of patents and compound data relating to the PDE4 inhibitor compounds including orismilast acquired from Leo Pharma A/S in 2020. UNION therapeutics A/S has no internally generated intangible assets from development, as the criteria for recognition of an asset are not considered met.

Contingent payments of acquisition of intangible rights
Under the terms of the agreement, UNION therapeutics A/S agreed to make future payments to LEO Pharma A/S that were contingent upon the achievement of specified clinical, regulatory, and sales milestones. UNION therapeutics A/S applies the cost accumulation method for the accounting for such contingent payments.

Under the agreement, UNION therapeutics A/S will, subject to meeting certain clinical, regulatory, and sales milestones, pay in cash to the seller up to USD 202m equivalent to DKK 1,240m. Also, UNION therapeutics A/S will pay to the seller low single-digit percentage royalty applied on net sales of covered products until the expiry of the royalty term which ends at the latest on the twelfth anniversary of the first commercial sale of covered products.

Impairment test and considerations
The intangible asset is not being amortized until market approval of the underlying asset has been obtained from regulatory authorities.

UNION therapeutics A/S has performed an impairment test of the intangible assets at 31 December 2021, 2022, and 2023. The recoverable amount of the intangible asset has been determined based on a value in use calculation using a discounted cash flow model. Projected cash flows have been determined based on estimated costs required to bring the product development through market approval and includes contractual contingent payments related to clinical, regulatory, and sale milestones. Budgeted cash flows from future product sales have been probability weighted. The pre-tax discount rate applied to the cash flow projections is 14.0% (2022: 14.0%; 2021: 14.0%). The impairment test shows no need for impairment.

11. Property, plant and equipment

DKK'000	Right-of-use assets	Other equipment	Total
Cost			
At January 1, 2023	2,103	310	2,413
Additions	1,063	113	1,176
Disposals	-	-	0
At December 31, 2023	**3,166**	**423**	**3,589**
Depreciation			
At January 1, 2023	-1,222	-151	-1,373
Additions	-742	-189	-931
Disposals	-	-	0
At December 31, 2023	**-1,964**	**-340**	**-2,304**
Carrying amount			
At December 31, 2023	**1,202**	**83**	**1,285**
Cost			
At January 1, 2022	1,647	157	1,804
Adjustments	456	169	625
Additions	-	-16	-16
At December 31, 2022	**2,103**	**310**	**2,413**
Depreciation			
At January 1, 2022	-618	-26	-644
Adjustments	-604	-141	-745
Additions	-	16	16
At December 31, 2022	**-1,222**	**-151**	**-1,373**
Carrying amount			
At December 31, 2022	**881**	**159**	**1,040**

Notes

11. Property, plant and equipment continued

DKK'000	Right-of-use assets	Other equipment	Total
Cost			
At January 1, 2021	444	95	539
Additions	1,203	140	1,343
Disposals	-	-78	-78
At December 31, 2021	**1,647**	**157**	**1,804**
Depreciation			
At January 1, 2021	-288	-83	-371
Additions	-330	-21	-351
Disposals	-	78	78
At December 31, 2021	**-618**	**-26**	**-644**
Carrying amount			
At December 31, 2021	**1,029**	**131**	**1,160**

Right-of-use assets
The company leases its office premises in Copenhagen. The property lease is non-cancellable in the period through January 1, 2025. Hereafter, the option to terminate is six months, meaning the contract can be terminated as of July 31, 2025 at the earliest. The contract does not provide a right, obligation, or an option to buy the office premises. The contract contains both lease and non-lease components according to the specific pricing of the services in the agreements.

Additionally, the company leases parking spaces in the area of the office premises. The contracts include options to terminate in three months, but the leasing contracts are expected to continue at least until June 30, 2025. The contracts do not contain any non-lease components.

In 2021, 2022 and 2023, the expense related to variable lease payments not included in the lease liabilities amounts to DKK 0.1m per year and was recognized in administrative costs.

12. Other receivables

DKK'000	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021
VAT receivables	712	2,792	4,224
Prepayments	269	341	2,170
Deposits	388	294	252
Other receivables	119	136	1,514
Other receivables	**1,488**	**3,563**	**8,160**
Classified as:			
Non-current assets	388	294	252
Current assets	1,100	3,269	7,908
Other receivables	**1,488**	**3,563**	**8,160**

In 2022 and 2023 Other receivables primarily consists of VAT receivables. In 2021, Other receivables primarily consisted of VAT receivables and government grant from Innovation Fund Denmark.

13. Investments in subsidiaries

DKK'000	2023	2022	2021
Cost at January 1	226	226	40
Additions	-	-	186
Cost at December 31	226	226	226
Carrying amount at December 31	**226**	**226**	**226**

Name and registered office	Voting rights and ownership
UNION therapeutics North America Inc., Collateral MMA, 33 Bedford Street, Suite 9, Lexington MA 02420	100%
UNION therapeutics Research Services ApS, Tuborg Havnevej 18, 2900 Hellerup	100%
UNION therapeutics Germany GmbH, Alter Kirchenweg 83, 24983 Handewitt	100%

Accounting policies

Investments in subsidiaries are measured in the parent company financial statements at the lower of cost and recoverable amount. Distributed dividends are recognized in the income statement of the parent company.

Notes

14. Capital management and share capital

Capital Management
The Board of Directors monitors the share and capital structure to ensure that UNION therapeutics A/S' capital resources support the strategic goals. UNION therapeutics A/S' goal is to maintain a strong capital base so as to maintain confidence from investors, creditors, employees and collaboration partners, and a continuous advancement of the research and development pipeline and business in general.

UNION therapeutics A/S is primarily financed through equity investments from shareholders, convertible loans, and a long-term loan agreement with the European Investment Bank. UNION therapeutics A/S has also obtained financing through license agreements and governmental- and private grants.

The adequacy of UNION therapeutics A/S' available funds will depend on various factors, including the advancement of the research and development programs, the magnitude of investments in these programs, and UNION therapeutics A/S' ability to establish commercial collaboration and licensing agreements with partners.

As such, UNION therapeutics A/S will require additional funds and plans to obtain additional long-term sources of funding through issuance of new shares, entering license and research and development collaboration agreements, expense management activities, refinancing of current outstanding debt instruments or a combination of such.

For further information regarding the European Investment Bank loan and the convertible loan, refer to note 16 and 17, respectively. For further information regarding going concern, refer to note 2 in the consolidated financial statements.

Loss of subscribed share capital
As a result of the group's accounting policy, financing strategy and utilization of the credit facility provided by the European Investment Bank, at December 31, 2023 the company had lost more than 50% of its subscribed share capital. Management expects to re-establish the subscribed share capital through additional long-term sources of funding or through retained earnings if entering into license or research and development collaboration agreements in 2024.

2021 Stock-split
On December 29, 2021, a 10-for-1 stock-split of issued and outstanding ordinary shares was approved at an extraordinary general meeting. The stock-split also resulted in a reduction of the nominal value of the company's ordinary shares from DKK 1 to DKK 0.1. The share split directly affected granted warrants, as warrants effectively split 10-for-1, while the exercise price of each warrant was reduced to 1/10 of the pre-split value.

At December 31, 2022, the share capital comprises of 7,611,034 shares of nominal DKK 0.1, each of which have been issued and paid in full. Only one class of shares exists, and no shares carry any special rights.

Share-capital movement table	Number of shares	Share capital (DKK'000)
Share capital at January 1, 2021	562,859	563
Capital increase at February 9, 2021	96,741	97
Effect of 10-for-1 share split	5,936,400	-
Share capital at December 31, 2021	**6,596,000**	**660**
Share capital at January 1, 2022	6,596,000	660
Capital increase at January 3, 2022 (exercise of warrants)	20,955	2
Capital increase at June 30, 2022 (conversion of loan)	232,477	23
Capital increase at December 2, 2022	250,643	25
Share capital at December 31, 2022	**7,100,075**	**710**
Share capital at January 1, 2023	7,100,075	710
Capital increase at July 13, 2023	414,724	41
Capital increase at July 13, 2023 (conversion of loan)	95,110	9
Capital increase at September 12, 2023 (exercise of warrants)	875	1
Capital increase at September 21, 2023 (exercise of warrants)	250	0
Share capital at December 31, 2023	**7,611,034**	**761**

Notes

15. Financial risks

The company's financial risks are managed by the Executive Management. UNION therapeutics A/S follows a policy where management continually monitors the following defined risks: liquidity risk, interest rate risk, currency risk and credit risk.

Liquidity risk
Liquidity risk is the risk that UNION therapeutics A/S will not be able to meet its financial obligations as they fall due. The Executive Management monitors its risk of a shortage of funds using a liquidity planning tool.

The company's objective and policy is to maintain a balance between continuity of funding and flexibility through the use of equity investments from shareholders and external loans. For discussion of going concern refer to note 2 in the consolidated financial statements.

UNION therapeutics A/S has no unused credit facilities at December 31, 2021, 2022, and 2023.

The following are the contractual undiscounted out-flows associated with the company's financial liabilities in the current and prior year based on their contractual maturities.

DKK'000	Carrying amount	Falling due within 1 year	Falling due between 1-2 years	Falling due after 2 years	Total contractual cash flows
2023					
Short-term debt (amortized cost)	114,413	127,673	-	-	127,673
Trade payables (amortized cost)	8,788	8,788	-	-	8,788
Cost accruals (amortized cost)	9,109	9,109	-	-	9,109
Lease liabilities (amortized cost)	1,360	851	549	-	1,400
Warrant and put option (fair value)	35,305	35,305	-	-	35,305
Payables to group entities (fair value)	502	502	-	-	502
	169,477	**182,228**	**549**	**0**	**182,777**
2022					
Long-term debt (amortized cost)	107,224	-	123,613	-	123,613
Trade payables (amortized cost)	17,728	17,728	-	-	17,728
Cost accruals (amortized cost)	18,789	18,789	-	-	18,789
Lease liabilities (amortized cost)	1,035	848	229	-	1,077
Convertible loans (fair value)	19,358	-	21,590	-	21,590
Warrant and put option (fair value)	34,884	34,884	-	-	34,884
Payables to group entities (fair value)	735	735	-	-	735
	199,753	**72,984**	**145,432**	**0**	**218,416**
2021					
Long-term debt (amortized cost)	99,286	-	80,038	38,098	118,136
Trade payables (amortized cost)	11,391	11,391	-	-	11,391
Cost accruals (amortized cost)	25,054	25,054	-	-	25,054
Lease liabilities (amortized cost)	1,090	471	681	-	1,152
Convertible loans (fair value)	63,778	-	-	78,786	78,786
Warrant and put option (fair value)	18,480	18,480	-	-	18,480
Payables to group entities (fair value)	430	430	-	-	430
	219,509	**55,826**	**80,719**	**116,884**	**253,429**

The amounts disclosed in the tables are the contractual undiscounted cash flows (including interest payments). Balances due within 12 months, except for the European Investment Bank loan in long term debt, equals their carrying balances as the impact of discounting is not significant, with the exception of convertible loans. The fair value of Convertible loan and Warrant and put option are based on level 3 in the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurement during the periods ended December 31, 2021, 2022 or 2023.

Notes

15. Financial risks continued

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UNION therapeutics A/S has no significant interest-bearing debt with variable interest, and UNION therapeutics A/S' interest rate risks primarily relate to the position of cash in banks. As such, no separate analysis is provided.

Foreign currency risk
UNION therapeutics A/S has foreign exchange exposure from vendors contracted and paid in other currencies than DKK, or EUR, to which the DKK is pegged. UNION therapeutics A/S also has foreign exchange exposure through certain income elements, e.g. future milestone payments denominated in USD as discussed in note 3 and 10.

UNION therapeutics A/S manages part of the cost-related foreign exchange exposure by buying and selling foreign currencies on a quarterly basis in order to hold amounts of foreign currency that correspond to the contractually committed costs in foreign currency on a 12-months rolling basis. This simple hedging approach is subject to hedging criteria related to size of foreign exchange exposure from vendor contracts, historical currency fluctuation and transaction costs. As of December 31, 2023, UNION therapeutics A/S holds positions in USD and GBP in addition to DKK.

The table shows the expected exposure in USD, GBP and PLN and the net effect it would have had on equity and profit for the year if the year-end exchange rates of USD, GBP and PLN had been 10% higher than the actual exchange rates. A corresponding decrease in the actual exchange rates would have had an opposite (positive/negative) effect on equity and profit for the year.

DKK'000	Cash and cash equivalents	Trade receivables/ (payables)	Net position
2023			
USD	16,053	-472	15,581
GBP	11,315	-924	10,391
2022			
USD	16,921	-654	16,267
GBP	13,314	-2,792	10,522
PLN	5,120	-	5,120
2021			
USD	35,765	-645	35,120
GBP	17,721	-2,116	15,605
PLN	10,517	-	10,517

DKK'000	Change in equity	Change in profit for the year
2023		
Change if 10% higher USD-rate than actual rate	1,558	1,558
Change if 10% higher GBP-rate than actual rate	1,039	1,039
2022		
Change if 10% higher USD-rate than actual rate	1,627	1,627
Change if 10% higher GBP-rate than actual rate	1,052	1,052
Change if 10% higher PLN-rate than actual rate	552	552
2021		
Change if 10% higher USD-rate than actual rate	3,512	3,512
Change if 10% higher GBP-rate than actual rate	1,560	1,560
Change if 10% higher PLN-rate than actual rate	1,052	1,052

Credit risk
The primary potential credit risks relate to Cash and cash equivalents. Cash and cash equivalents are not deemed to be subject to any special credit risk as they are deposited with accredited bank. At December 31, 2023 UNION therapeutics A/S has no trade receivables (December 31, 2022: none; December 31, 2021: none).

Notes

16. European Investment Bank Loan

Loan facility and warrant and put option agreement with the European Investment Bank
In October 2017, UNION therapeutics A/S entered into a finance contract with the European Investment Bank ensuring a loan facility of EUR 20.0m. Under the finance contract, the loan shall be disbursed in up to two tranches and the repayment date is no later than the fifth anniversary of the relevant disbursement date. The loan agreement is subject to a number of financial and non-financial terms.

In January 2018, UNION therapeutics A/S called the first of the two tranches under the finance contract. The first tranche totaled EUR 7.0m. The loan and accumulated interest originally fell due for payment in January 2023.

In December 2019, UNION therapeutics A/S called the second of the two tranches under the finance contract. The second tranche totaled EUR 3.3m. The loan and accumulated interest fall due for payment in December 2024.

Modification of tranche 1 in 2022
In June 2022 the loan period was extended for the tranche 1 loan, meaning the loan and accumulated interest fall due for payment on January 25, 2024.

The present value of cash flow arising from the modification did not exceed 10% compared to the present value of cash-flow before modification. Therefore, the extension of the loan was considered a modification of the existing loan and not a new loan. The modification resulted in a modification loss of DKK 3.1m, reported in 2022 as Financial expenses in the consolidated statement of comprehensive income.

As a result of the modification, UNION is obliged to apply 5% of proceeds in excess of EUR 8.0m from any equity fund raised (excluding an IPO and from any public offerings) occurring between June 1, 2022 and January 23, 2024.

Modification of tranche 1 in 2023
In December 2023 the agreement for tranche 1 was amended. The 2023 addendum stipulates that accrued interest until January 24, 2024, will be capitalized and added to the principal amount. Additionally, an adjustment in the interest rate is outlined, increasing from 10.77% per annum to 12.77% per annum from January 24, 2024, and until maturity (December 18, 2024).

Considering the remaining time to maturity of the original loan relative to the contract terms, and that the extension has been negotiated by independent parties, UNION therapeutics A/S has accounted for the extension as repayment of the original loan and a replacement by a new loan on the date of the original maturity, being January 24, 2024. As a result no modification gain or loss was reported in 2023 in the consolidated statement of comprehensive income.

As a consequence of the capital increases in December 2022 and July 2023 (refer to note 14), UNION made partial repayments of the tranche 1 loan of DKK 0.1m and DKK 5.1m, respectively.

Consideration for the loan in the form of warrants
As consideration for the loan, UNION therapeutics A/S has granted 186,910 warrants to the European Investment Bank that vest relative to the drawdown on the loan in two tranches. Upon drawdown of the first tranche in 2018, 87,220 warrants vested. Upon drawdown of the second tranche in 2019, 25,460 warrants vested, and 74,230 warrants were lapsed and became void.

In 2021, the European Investment Bank has been granted additional 2,892 warrants, as an anti-dilution measure as a consequence of UNION therapeutics A/S granting additional equity settled warrants to the Board of Directors, members of the Executive Management and key personnel of the company.

In connection with the modification and extension of the loan period of the first tranche in June 2022, the European Investment Bank has been granted an additional 25,431 warrants.

In 2023, the European Investment Bank has been granted additional 1,700 warrants, as an anti-dilution measure because the Board of Directors' authorization to grant warrants was increased by 100,000 warrants.

142,703 warrants were outstanding at December 31, 2022 (December 31, 2022: 141,003; December 31, 2021: 115,572). Each warrant entitles the European Investment Bank to subscribe for 1 share of nominal DKK 0.1 against payment of exercise price of DKK 0.1. Vested warrants can be exercised in part of in full at any time at the discretion of the European Investment Bank. Warrants not exercised after 20 years shall lapse.

Put option related to repurchase of vested warrants held by the European Investment Bank
The loan agreement further includes an embedded derivative in form of a put option, pursuant to which the European Investment Bank may require UNION to purchase all or part of the vested warrants held by the European Investment Bank at an option price equivalent to the fair value of the warrants at the time of exercise.

Floating charge
As part of the loan agreement, UNION entered into a floating charge agreement pursuant to which a floating charge of EUR 2.0m is pledged. Furthermore, UNION entered into a negative pledge preventing it from subsisting any security over any of its assets. Refer to note 23.

Notes

16. European Investment Bank Loan continued

Fair value measurement of warrant and put option
Summary of the assumptions, conditions and other information used in calculating the fair value using the Black-Scholes model relating to the warrant and put option:

	2023	2022	2021
Dividend yield	-	-	-
Volatility (%)	72	71	76
Annual risk-free interest rate	3.2%	1.4%	-0.2%
Market share price at year-end	DKK 248	DKK 248	DKK 160
Exercise price	DKK 0.1	DKK 0.1	DKK 0.1
Life of option	1 year	1-2 years	1-3 years

Sensitivity
At December 31, 2021, December 31, 2022 and December, 2023, other things being equal, a 10% increase in the share price will result in a 10% increase in the fair value of the warrant put option. Similarly, a 10% decrease in the share price will reduce the fair value of the warrant put option by 10%. Reconciliation of fair value measurements under Level 3 hierarchy:

DKK '000	Warrant and put option
At December 31, 2020	**18,018**
Fair value adjustment through profit or loss (unrealized)	-
Warrants added	462
At December 31, 2021	**18,480**
Fair value adjustment through profit or loss (unrealized)	10,112
Warrants added	6,292
At December 31, 2022	**34,884**
Fair value adjustment through profit or loss (unrealized)	-
Warrants added	421
At December 31, 2023	**35,305**

17. Convertible loans

In July 2021, UNION therapeutics A/S issued a convertible debt instrument of DKK 62.0m, which was received from various parties, including members of the Board of Directors and Executive Management. UNION therapeutics A/S elected the fair value option and accounts for both the debt and the embedded derivatives as a single instrument that is measured at fair value, whereby the convertible debenture at initial recognition is designated at fair value and subsequently remeasured with the change being presented in the statement of profit or loss for the reporting period.

On June 30, 2022, lenders holding nominal DKK 45.0m of total DKK 62.0m of the convertible loan agreed to convert the convertible loans including incurred interests into share capital with a discount of 15% (conversion rate of DKK 210 per share). The fair value of the portion of the converted loan that was converted to equity is equal to DKK 57.5m.

On July 13, 2023, lenders holding the remaining nominal DKK 17.0m of the convertible loan agreed to convert the convertible loans including incurred interests into share capital with a discount of 15% ((conversion rate of DKK 210 per share). The fair value of the portion of the converted loan that was converted to equity is equal to DKK 23.5m.

The following table summarizes the changes in the convertible debt instrument in 2021, 2022 and 2023:

DKK '000	
Carrying amount at January 1, 2021	-
Amount received July 2021	62,037
Fair value adjustment through profit or loss, included in finance expenses	1,741
Carrying amount at fair value at December 31, 2021	**63,778**
Converted to equity	-57,541
Fair value adjustment through profit or loss, included in finance expenses	13,121
Carrying amount at fair value at December 31, 2022	**19,358**
Converted to equity	-23,540
Fair value adjustment through profit or loss, included in finance expenses	4,182
Carrying amount at fair value at December 31, 2023	**0**

Notes

17. Convertible loans continued

The convertible loan was at each applicable balance sheet date and upon conversion measured at fair value (level 3) taking into account:

- The convertible loan is a fixed rate loan carrying an interest rate of 9% with maturity on July 16, 2024
- The convertible loan is denominated in DKK
- Conversion or repayment at maturity. On the maturity date, July 16, 2024, UNION has the discretion to (i) convert the loan into new shares of the company at the share price at the latest capital increase with a discount of 15%. If the loan is converted at maturity, the conversion price has a cap of DKK 160 per share less 15%; or (ii) repay the loan in cash to the extent that the loan amount and accrued interest has not been converted into shares and the company's existing loan to European Investment Bank has been repaid or consent has been provided by European Investment Bank, though with bondhold discretion to elect conversion to equity.
- Mandatory conversion in the occurrence of an exit-event including (i) an admission to trading of the company's shares on a regulated market (IPO), (ii) a trade sale of more than 90% of the company's shares and (iii) an equity financing with issuance of new shares with proceeds of minimum DKK 120m.
- Conversion or repayment in connection with a De-SPAC transaction. In the event of a De-SPAC transaction the lenders have the discretion to demand the outstanding loan amount repaid in cash or converted into shares with a conversion price equal to the final offer price with a discount of 15%. In the event of a De-SPAC transaction the lenders may elect to demand the loan repaid in cash against receiving additional 6% interest rate.

Since the convertible debt instrument includes conversion features resulting in settlement in a variable number of shares, the convertible debt instrument does not comprise an equity component. The convertible debt instrument includes the following elements:

- Fixed rate debt host contract
- Embedded prepayment option (exit event)
- Embedded prepayment option (De-SPAC)
- Cap on conversion price at maturity

18. Other payables

DKK'000	2023	2022	2021
Salary related payables	1,946	1,102	1,552
Cost accruals	9,109	18,759	25,054
Other Payables	11	8	10
	11,066	**19,869**	**26,616**

Cost accruals primarily comprise of accruals for clinical research organizations costs. The lower cost accruals at year-end 2023 compared to 2022 and 2021, is primarily due to reduced level of CRO activities at year end 2023.

Notes

19. Related party disclosures

Related parties exercising control or significant influence
As of December 31, 2021, 2022 and 2023, there are no related parties that individually or jointly exercise control over UNION therapeutics A/S.

Related Parties with significant influence
As of December 31, 2021, 2022 and 2023, Vendler Alpha ApS and Manjin Holding ApS, which are controlled by the two founders and current members of Board of Directors and the Executive Management, Rasmus Vendler Toft-Kehler and Morten Sommer, respectively, hold 24.40% (2022: 26.15%; 2021: 28.11%) each of the share capital and voting rights of UNION therapeutics A/S.

Related parties with significant influence also comprise the board members and companies controlled by board members. For remuneration of the board of directors refer to note 5 and note 6.

Key management personnel
Key management personnel comprise the Executive Management of UNION therapeutics A/S.

For disclosures of compensation to the Board of Directors and Key management personnel, including the Executive Management, refer to note 5 and note 6.

DKK'000	2023	2022	2021
Transactions with related parties with significant influence, Board of Directors and Key management personnel:			
Research and development costs * **	430	913	2,103
Administrative costs**	-	-	501
Year end balances arising from transactions with related parties exercising control, Board of Directors and Key management personnel:			
Convertible loan	-	-	3,227
Trade payables	177	-	25

* The company has received consultancy services from a company which is 50% owned by the Chairperson of the Board of Directors. There have been no expenses related to such services in 2023 (2022: DKK 45 thousand; 2021: DKK 60 thousand).

** The Company receives recruitment services from a company where a significant part of the shares ultimately is owned by Rasmus Vendler Toft-Kehler and Morten Sommer.

In July 2021, UNION received a convertible debt instrument of DKK 62.0m from various parties, including Board of Directors and Executive Management. At December 31, 2021, the Board of Directors and Executive Management's part of the loan totaled DKK 3.4m. On June 30, 2022, the Board of Directors and Executive Management agreed to convert the convertible loans into share capital.

Subsidiaries
Balances and transactions between UNION therapeutics A/S and its three subsidiaries: UNION Research Services ApS, UNION therapeutics Germany GmbH and UNION therapeutics North America Inc.

Other related parties
Other related parties include subsidiaries and associates of shareholders with significant influence and companies controlled by and close family members of members of executive management or members of the board of directors.

DKK'000	2023	2022	2021
Transactions with subsidiaries:			
Research and development costs	5,298	5,472	2,525
Year end balances arising from transactions with subsidiaries:			
Trade receivables	65	1,290	1,120
Trade payables	502	735	430
Transactions with other related parties:			
Research and development costs*	-	373	490
Year end balances arising from transactions with Other related parties:			
Convertible loan	-	-	167

* The company has received employee services from the spouse of one of the members of the Board of Directors and Executive Management. The employee was terminated in September 2022, as such there were no employee benefits in 2023 (2022: DKK 373 thousand; 2021: DKK 490 thousand).

Notes

20. Changes in liabilities arising from financing activities

2023

			Non-cash changes				
DKK'000	**2022**	**Cash flows**	**Conversion to equity**	**Addition during the period**	**Fair value adjustment/ Interest**	**Foreign exchange adjustment**	**2023**
Short/long debt	107,224	-5,148	-	-	12,337	-	114,413
Convertible loans	19,358	-	-23,540	-	4,182	-	0
Lease liability	1,035	-796	-	1,063	58	-	1,360
Total	**127,617**	**-5,944**	**-23,540**	**1,063**	**16,577**	**0**	**115,773**

2022

			Non-cash changes				
DKK'000	**2021**	**Cash flows**	**Conversion to equity**	**Addition during the period**	**Fair value adjustment/ Interest**	**Foreign exchange adjustment**	**2022**
Short/long debt	99,286	-126	-	-	8,064	-	107,224
Convertible loans	63,778	-	-57,541	-	13,121	-	19,358
Lease liability	1,090	-564	-	456	53	-	1,035
Total	**164,154**	**-690**	**-57,541**	**456**	**21,238**	**0**	**127,617**

2021

			Non-cash changes				
DKK'000	**2020**	**Cash flows**	**Conversion to equity**	**Addition during the period**	**Fair value adjustment/ interest**	**Foreign exchange adjustment**	**2021**
Short/long debt	88,894	-	-	-	10,429	-37	99,286
Convertible loans	-	62,037	-	-	1,741	-	63,778
Lease liability	167	-312	-	1,203	32	-	1,090
Total	**89,061**	**61,725**	**0**	**1,203**	**12,202**	**-37**	**164,154**

21. Cash flow statement – adjustment for non-cash items

DKK'000	**2023**	**2022**	**2021**
Income taxes	-5,500	-5,500	-5,500
Depreciation and amortization	931	745	351
Financial costs/income	14,667	36,160	8,961
Share-based compensation costs	9,323	21,467	9,015
Dividend from subsidiaries	-233	-	-
	19,188	**52,872**	**12,827**

22. Cash flow statement – changes in net working capital

DKK'000	**2023**	**2022**	**2021**
Changes in other receivables	92	1,358	7,519
Changes in VAT receivables	2,080	1,452	-3,272
Changes in prepayments	72	1,829	-2,051
Changes in employee related liabilities	844	-451	-336
Changes in intercompany payables	-233	-25	-838
Changes in intercompany receivables	1,225	-170	233
Changes in trade payables	-8,940	6,482	5,278
Changes in investments in subsidiaries	-	-	-186
Changes in other liabilities	-11,945	-11,597	28,378
	-16,805	**-1,122**	**34,725**

Notes

23. Contingent assets and liabilities, contractual obligations and pledges

Pledges: European Investment Bank loan, floating charge, pledges, and mandatory partial prepayment
UNION therapeutics A/S has entered into a floating charge agreement with the European Investment Bank pursuant to which a floating charge of EUR 2.0m (2022: EUR 2.0m; 2021: EUR 2.0m) is pledged.

The European Investment Bank loan also contains certain covenants in respect of the future maintenance and conduct of the company's business, including restrictive covenants such as restrictions on providing security (negative pledge), disposal of assets, distribution of dividends, repurchase of shares, incurrence of financial indebtedness, change of business, mergers, granting loans and guarantees, and requirements to provide financial and certain other information to the European Investment Bank.

The European Investment Bank loan also contains customary events of default, including, non-payment, breach of covenants, material breach of representations and warranties, cross-default, certain insolvency and bankruptcy events and judgements against the company and a material adverse change clause and change-of-control repayment requirement in the event of a third-party obtaining control over the company.

The UNION therapeutics A/S is obligated to make mandatory partial prepayments of the European Investment Bank loan in the period from June 1, 2022 to January 23, 2024 for amounts equal to 5% of the net proceeds from any private placements of new shares and share like instruments above a floor of EUR 8 million (on a cumulative basis).

Bank accounts in UNION therapeutics Germany GmbH have been pledged as security for outstanding credit card debt in the entity. The outstanding amount at December 31, 2023 is immaterial.

Contingent assets: Payment under out-license agreements
UNION therapeutics A/S is entitled to potential milestone payments and royalties upon materialization of certain scientific and regulatory milestones and on successful commercialization of products developed under license agreements with Innovent Biologics Inc (reference is made to note 3). Since the size and timing of such payments are uncertain until the milestones are reached or sales are generated, the agreements may qualify as contingent assets. However, it is associated with a very high degree of uncertainty to measure the value of such contingent assets, and, accordingly, no such assets have been recognized.

Contingent payments of acquisition of intangible rights
Under the terms of the agreement with LEO Pharma A/S, UNION therapeutics A/S agreed to make future payments to LEO Pharma A/S that were contingent upon the achievement of specified clinical, regulatory, and sales milestones. UNION therapeutics A/S applies the cost accumulation method for the accounting for such contingent payments.

Under the terms of the agreement with LEO Pharma A/S, UNION therapeutics A/S agreed to make future payments to LEO Pharma A/S that were contingent upon the achievement of specified clinical, regulatory, and sales milestones. UNION therapeutics A/S applies the cost accumulation method for the accounting for such contingent payments.

Under the agreement, UNION therapeutics A/S will, subject to meeting certain clinical, regulatory, and sales milestones, pay in cash to the seller up to USD 202m equivalent to DKK 1,240m. Also, UNION therapeutics A/S will pay to the seller low single-digit percentage royalty applied on net sales of covered products until the expiry of the royalty term which ends at the latest on the twelfth anniversary of the first commercial sale of covered products.

Other information

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today discussed and approved the annual report of UNION therapeutics A/S for the financial year January 1 – December 31, 2023.

The annual report has been prepared in accordance with IFRS accounting standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the group and the parent company at December 31, 2023 and of the results of their operations and cash flows for the financial year January 1 – December 31, 2023.

Further, in our opinion, the management's review includes a fair review of developments in the group's and the parent company's activities and finances, results for the year and the group's and the parent company's financial position in general, as well as a description of the most significant risks and uncertainties to which the group and the parent company are exposed.

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

Hellerup, February 6, 2024

Executive Management

Kim Domela Kjøller
Co-Chief Executive Officer

Rasmus Vendler Toft-Kehler
Co-Chief Executive Officer

Morten Højland Boesen
Chief Financial Officer

Morten Otto Alexander Sommer
Chief Scientific Officer

Board of Directors

Stig Løkke Pedersen
Chair of the Board

Arthur Higgins
Vice Chair of the Board

Gitte Pugholm Aabo
Board member

Andrew John Oakley
Board member

Jutta Monika Heim
Board member

Rasmus Vendler Toft-Kehler
Board member

Morten Otto Alexander Sommer
Board member

Independent Auditor's Report

To the shareholders of UNION therapeutics A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of UNION therapeutics A/S for the financial year 1 January – 31 December 2023, which comprise statement of comprehensive income and loss, cash flow statement, statement of financial position, statement of changes in equity and notes, including material accounting policy information, for the Group and the Parent Company. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of 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 consolidated financial statements and the Parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty related to going concern

The financial statements have been prepared on a going concern assumption. We draw attention to note 2 in the financial statements, which describes that the Group and the Parent Company, considering its net current assets and forecasted cash requirements, have liquidity to finance its operations as planned into December 2024 and that funding of the Group and Parent Company's operating activities through December 2024 and beyond, including refinancing of the European Investment Bank loan, which falls due for payment in December 2024, is not secured as of the date of these financial statements. Accordingly, a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern exists. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have not modified our opinion in respect of this matter.

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 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 our procedures, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- 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 Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, February 6, 2024

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised
Public Accountant
mne33234

Rasmus Bloch Jespersen
State Authorised
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Forward looking statements

This annual report contains forward-looking statements. All statements, other than statements of historical facts, included in this report are forward-looking statements. These statements include, but are not limited to, statements regarding the potential benefits UNION's product candidates, including orismilast; the development, scope, timing and progress, including as to enrolment and data read-outs, from ongoing and future clinical trials; business prospects and opportunities; future plans and intentions, results, level of activities, performance, goals or achievements or other future events; the potential regulatory approval of UNION's product candidates; and UNION's ability to commercialize its product candidates, once approved.

These forward-looking statements are based on current expectations and beliefs, as well as assumptions concerning future events. These statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results discussed in the forward-looking statements.

Any forward-looking statement made in this report speaks only as of the date of this report and represents estimates and assumptions only as of the date of this report. Nothing contained in this report should be construed as a profit forecast or profit estimate.

To the extent this report includes market and industry data obtained by the company from industry publications and surveys, the company may not have access to the facts and assumptions underlying the numerical data, market data and other information extracted from public sources and as a result neither the company nor any of the company's advisors or representatives are able to verify such information and assume no responsibility for the accuracy or completeness of any such information. Any information contained or views expressed in this report do not purport to be comprehensive and are based on financial, economic, market and other conditions prevailing as of the date of this report and are subject to change without notice.

Except as required by law, UNION assumes no obligation to update these statements publicly, whether as a result of new information, future events or otherwise after the date of this report.

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October 10, 2011

UNION THERAPEUTICS

Passionately creating medicines
that make a difference

Production and layout: NOTED

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