

**Sophion Bioscience A/S**

**Baltorpvej 154**

**2750 Ballerup**

**CVR no. 10021065**

**Annual report 2022**

**1<sup>st</sup> January – 31<sup>st</sup> December 2022**

The Annual Report was presented to and approved at the company's Annual General Meeting of shareholders on 31<sup>st</sup> March 2023

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Thais Taaning Johansen  
Chairman of the meeting

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## Company information

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### Company

Sophion Bioscience A/S  
Baltorpvej 154  
2750 Ballerup

Municipality of residence: Ballerup  
CVR-no.: 10 02 10 65  
Financial year: 1<sup>st</sup> January 2022 – 31<sup>st</sup> December 2022

### Board of Directors

Gustaf Peter Reinhold von Ehrenheim, chairman  
Thais Taaning Johansen  
Peter Max  
Harald Høegh  
Eirik Lauglo

### Executive management

Thais Taaning Johansen

### Auditor

Dansk Revision Slagelse  
Godkendt Revisionsaktieselskab  
Ndr. Ringgade 74  
4200 Slagelse

## Management's report

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Today the Board of Directors and the Executive Board have discussed and approved the Annual Report for the financial year 1<sup>st</sup> January 2022 – 31<sup>st</sup> December 2022 for Sophion Bioscience A/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements provide a true and fair view of the Company's assets, liabilities and financial position at 31<sup>st</sup> December 2022 and of the Company's operations for the financial year 1<sup>st</sup> January 2022 – 31<sup>st</sup> December 2022.

We believe that the Management's review provides a true and fair view of the activities that the review describes.

The Annual Report is recommended for approval at the annual general meeting.

Ballerup, 31<sup>st</sup> March 2023

### Executive management:

Thais Taaning Johansen

### Board of Directors:

Gustaf Peter Reinhold von Ehrenheim  
Chairman

Thais Taaning Johansen

Peter Max

Harald Høegh

Eirik Lauglo

## Independent auditors report on the annual report

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### To the shareholders of Sophion Bioscience A/S

#### Opinion

We have audited the financial statements of Sophion Bioscience A/S for the financial year 1<sup>st</sup> January 2022 – 31<sup>st</sup> December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared under the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31<sup>st</sup> December 2022, and of the results of the Company operations for the financial year 1<sup>st</sup> January 2022 – 31<sup>st</sup> December 2022 in accordance with the Danish Financial Statements Act.

#### Basis for Opinion

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

#### Management's Responsibilities for the Financial Statements

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

## Independent auditors report on the annual report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on Management's Review

Management is responsible for Management's Review. Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

## **Independent auditors report on the annual report**

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Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement of Management's Review.

Slagelse, 31<sup>st</sup> March 2023

### **Dansk Revision Slagelse**

Godkendt revisionsaktieselskab, CVR-no. 29919801

Kim Thomas Nielsen

State authorized public accountant

mne28660

## Management's review

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### Core activities

The company's primary activities consist of development, production, and sale of solutions to streamline the research and in vitro safety phases of drug discovery in the pharmaceutical industry.

The company's activities are based on the patch clamp technique, where the impact of new drug candidates on the ion flow through membrane proteins (ion channels) of living cells can be measured. These Patch Clamp measurements can be performed automated and in parallel, thus enabling more than 1,000 times higher screening rate compared with the conventional manual patch clamp method. The company's resources are mainly used on commercialization of these novel high throughput screening systems, as well as the consumables needed to perform accurate and reliable measurements. Also, the Company offers technical and scientific services in relation to the screening systems.

### Development in the year

Sophion Bioscience A/S had a very positive year. The company continued to sell its full suite of products for single cell analysis to the biotech and pharmaceutical industry.

Total revenue for the year grew significantly as compared to last year as both existing and new markets had a positive trend thus securing growth in top line as well as in earnings. Improvement in manufacturing and sourcing, without compromising quality, have had a positive impact on operating margin. Operational expenses was in 2022 below expectations as organizational ramp-up moves into 2023 which resulted in a strong net profit.

The year's profit reached 44,369 TDKK compared to last year of 36,324 TDKK.

### Outlook

Sophion Bioscience A/S expects to continue its growth in its core markets as well as in new areas during 2023. The company continues to focus on strengthening global S&M and R&D activities. Especially larger than usual investments in R&D programs and a significant increase in number of employees during the year will have an impact on earnings and cash flow, thus the financial performance will for the shorter term be modest. A profit of 20 million DKK to 30 million DKK is expected for the coming year.

### Risk profile and -management

The company and the Group emphasize minimizing the risk of events that may have unexpectedly negative operating and earnings impact, through a normal insurance coverage. Business risks, such as technological development, are ensured by continuous design and product development and thus updating the product portfolio. In addition, significant changes in exchange rates may affect earnings, as the company and the group are sensitive to changes in the USD exchange rate.

### Impact on the external environment

The company and the Group place emphasis on managing the company in a sustainable and environmentally sound manner. The environmental impact of the Group's production and sales are not expected to affect the environment in an inappropriate manner compared to similar companies in the same industry.



## Management's review

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### Research and development activities

Sophion Bioscience A/S continues to invest in research and development (R&D). These activities will accelerate the development of new products.

### Group and associated companies abroad

Sophion Bioscience have three foreign subsidiaries; in USA, Japan and China. All subsidiaries primarily function is to act as the company's sales offices in the region.

### Events after the end of the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

### Results compared to previous expectations

The expectation for 2022 was increased growth and earnings in the region of 20 DKK million to 30 million DKK. The result for 2022 was better than expectations set out in the 2021 annual report. The higher result is primarily due to increased revenues while having a lower cost base than planned.

Financial highlights	2022	2021	2020	2019	2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Income statement</b>					
Operating profit/loss	53,026	44,969	31,537	28,907	22,219
Profit/loss from financial income and expenses	2,814	421	583	5	12,427
Profit/loss for the year	44,369	36,324	25,217	22,627	40,269
<b>Balance Sheet</b>					
Investments in property, plant and equipment	1,131	6,563	2,209	354	170
Total assets	222,631	174,724	140,116	139,308	122,401
Equity	188,146	143,846	106,465	101,149	98,251
<b>Key figures, %</b>					
Return on invested capital	26.7%	28.6%	22.6%	22.1%	17.8%
<i>Operating profit/ loss in percent of total average assets</i>					
Solvency ratio	84.5%	82.3%	76.0%	72.6%	80.3%
<i>Equity end year in percent of total assets</i>					
Return on equity	26.7%	29.0%	24.3%	22.7%	40.4%
<i>Profit loss for the year in percent of average equity</i>					

		2022	2021
Note	Income statement	DKK '000	DKK '000
<b>1<sup>st</sup> January – 31 December</b>			
	<b>Gross profit</b>	<b>117,686</b>	<b>91,781</b>
1	Staff costs	-42,392	-31.852
	Depreciations	-22,268	-14.960
	<b>Operating profit</b>	<b>53,026</b>	<b>44,969</b>
	Income from investments in subsidiaries	-35	-211
2	Financial income	3,081	935
	Financial expenses	-267	-514
	<b>Profit before taxes</b>	<b>55,805</b>	<b>45,179</b>
3	Taxes for the year	-11,436	-8,855
	<b>Profit for the year</b>	<b>44,369</b>	<b>36,324</b>

Note	Balance sheet	2022 DKK '000	2021 DKK '000
<b>Assets at 31<sup>st</sup> December 2022</b>			
4	Development projects	21,263	30,985
5	Intellectual property rights	922	809
6	Other intangible assets	771	401
7	Development projects in progress	20,053	16,465
	<b>Intangible fixed assets</b>	<b>43,009</b>	<b>48,660</b>
8	Leasehold improvements	202	271
9	Plant and machinery	2,583	2,253
10	Other fixtures and fittings, tools and equipment	1,415	4,578
	<b>Tangible fixed assets</b>	<b>4,200</b>	<b>7,102</b>
11	Equity investments in subsidiaries	1,221	0
12	Deposits	693	648
	<b>Financial fixed assets</b>	<b>1,914</b>	<b>648</b>
	<b>Total fixed assets</b>	<b>49,123</b>	<b>56,410</b>
	Raw materials and consumables	27,354	18,516
	Semi-finished goods	6,020	8,070
	Manufactured goods	27,952	15,710
	Prepayment for goods	0	214
	<b>Inventories</b>	<b>61,326</b>	<b>42,510</b>
	Trade receivables	19,645	5,703
	Receivables from group companies	58,018	36,365
13	Deferred tax assets	0	2,271
	Other receivables	1,300	2,128
14	Prepayments	2,971	1,246
	<b>Receivables</b>	<b>81,934</b>	<b>47,713</b>
	<b>Cash at hand and in bank</b>	<b>30,248</b>	<b>28,091</b>
	<b>Total current assets</b>	<b>173,508</b>	<b>118,314</b>
	<b>Total assets</b>	<b>222,631</b>	<b>174,724</b>

Note	Balance sheet	2022 DKK '000	2021 DKK '000
<b>Equity and liabilities at 31<sup>st</sup> December 2022</b>			
15	Share capital	50,000	50,000
	Reserve for development costs	28,318	25,508
	Reserve for exchange rate adjustments	-235	-166
	Retained earnings	50,063	68,504
	Proposed dividend	60,000	0
	<b>Total equity</b>	<b>188,146</b>	<b>143,846</b>
16	Deferred tax liability	4,980	0
17	Other provisions	672	624
	<b>Total provisions</b>	<b>5,652</b>	<b>624</b>
	Bank debt	1,423	0
	Prepayments received from customers	9,049	8,322
	Trade payables	10,475	13,184
	Tax payable to group companies	0	2,847
	Other debt	7,886	5,901
	<b>Short-term liabilities</b>	<b>28,833</b>	<b>30,254</b>
	<b>Total liabilities</b>	<b>28,833</b>	<b>30,254</b>
	<b>Total equity and liabilities</b>	<b>222,631</b>	<b>174,724</b>
18	Contingent liabilities		
19	Contractual liabilities		
20	Related parties and ownership		

Equity	2022 DKK '000	2021 DKK '000
<b>Equity 1<sup>st</sup> January – 31<sup>st</sup> December</b>		
Share capital 1 <sup>st</sup> January	50,000	50,000
<b>Share capital 31<sup>st</sup> December</b>	<b>50,000</b>	<b>50,000</b>
Reserve for development costs 1 <sup>st</sup> January	25,508	17,445
Transfer to the reserve for the year	2,810	8,063
<b>Reserve for development costs 31<sup>st</sup> December</b>	<b>28,318</b>	<b>25,508</b>
Reserve for exchange rate adjustments costs 1 <sup>st</sup> January	-166	-955
Transfer to the reserve for the year	-69	789
<b>Reserve for exchange rate adjustments costs 31<sup>st</sup> December</b>	<b>-235</b>	<b>-166</b>
Retained earnings 1 <sup>st</sup> January	68,504	39,975
Profit for the year	-18,441	28,261
Other equity transfers	0	268
<b>Retained earnings 31<sup>st</sup> December</b>	<b>50,063</b>	<b>68,504</b>
Proposed dividend 1 <sup>st</sup> January	0	0
Proposed dividend of the year	60,000	0
<b>Proposed dividend 31<sup>st</sup> December</b>	<b>60,000</b>	<b>0</b>
<b>Equity total</b>	<b>188,146</b>	<b>143,846</b>
<b>Recommended distribution of the profit for the year:</b>		
Distributed to reserve for development costs	2,810	8,063
Proposed dividend	60,000	0
Retained earnings	-18,441	28,261
<b>Distribution in total</b>	<b>44,369</b>	<b>36,324</b>

Notes	2022 DKK '000	2021 DKK '000
<b>1 Staff costs</b>		
Wages and salaries	41,576	31,280
Pensions	27	33
Other social security costs	789	539
<b>Total staff costs</b>	<b>42,392</b>	<b>31,852</b>
Average number of employees	48	41
Remuneration to management	3,094	3,078
<b>2 Financial income</b>		
Interests, group companies	140	935
Other financial income	2,941	0
<b>Total financial income</b>	<b>3,081</b>	<b>935</b>
<b>3 Taxes for the year</b>		
Taxes for the year	4,185	2,662
Changes deferred taxes	7,251	6,162
Adjustments of previous years tax	0	31
<b>Total taxes for the year</b>	<b>11,436</b>	<b>8,855</b>

Notes	2022 DKK '000	2021 DKK '000
<b>4 Development projects</b>		
Cost 1 <sup>st</sup> January	86,911	82,696
Transferred from development projects in progress	<u>10,840</u>	<u>4,215</u>
Cost 31 <sup>st</sup> December	<u>97,751</u>	<u>86,911</u>
Depreciations 1 <sup>st</sup> January	-55,926	-41,539
Depreciations for the year	<u>-20,562</u>	<u>-14,387</u>
Depreciations 31 <sup>st</sup> December	<u>-76,488</u>	<u>-55,926</u>
<b>Total development projects</b>	<b><u>21,263</u></b>	<b><u>30,985</u></b>
Development projects relate to the development of the company's main products. The projects are marketed and make a significant contribution to the company's earnings.		
<b>5 Intellectual property rights</b>		
Cost 1 <sup>st</sup> January	17,933	17,809
Additions for the year	158	284
Disposals for the year	<u>0</u>	<u>-160</u>
Cost 31 <sup>st</sup> December	<u>18,091</u>	<u>17,933</u>
Depreciations 1 <sup>st</sup> January	-17,124	-17,225
Depreciations for the year	-45	-59
Depreciations on disposals	<u>0</u>	<u>160</u>
Depreciations 31 <sup>st</sup> December	<u>-17,169</u>	<u>-17,124</u>
<b>Total intellectual property rights</b>	<b><u>922</u></b>	<b><u>809</u></b>



Notes	2022 DKK '000	2021 DKK '000
<b>6 Other intangible assets</b>		
Cost 1 <sup>st</sup> January	2,662	2,567
Additions for the year	<u>689</u>	<u>95</u>
Cost 31 <sup>st</sup> December	<u>3,351</u>	<u>2,662</u>
Depreciations 1 <sup>st</sup> January	-2,261	-1,746
Depreciations for the year	<u>-319</u>	<u>-515</u>
Depreciations 31 <sup>st</sup> December	<u>-2,580</u>	<u>-2,261</u>
<b>Total other intangible assets</b>	<u><b>771</b></u>	<u><b>401</b></u>
<b>7 Development projects in progress</b>		
Cost 1 <sup>st</sup> January	16,465	5,604
Additions for the year	14,428	15,076
Transferred to development projects	<u>-10,840</u>	<u>-4,215</u>
Cost 31 <sup>st</sup> December	<u>20,053</u>	<u>16,465</u>
<b>Total development projects in progress</b>	<u><b>20,053</b></u>	<u><b>16,465</b></u>
<p>The development projects relate to the development of additional functionalities on the company's main products as well as new products. The projects will proceed as planned using the resources that the management has allocated to the development.</p>		
<b>8 Leasehold improvements</b>		
Cost 1 <sup>st</sup> January	271	0
Additions for the year	<u>75</u>	<u>271</u>
Cost 31 <sup>st</sup> December	<u>346</u>	<u>271</u>
Depreciations 1 <sup>st</sup> January	0	0
Depreciations for the year	<u>-144</u>	<u>0</u>
Depreciations 31 <sup>st</sup> December	<u>-144</u>	<u>0</u>
<b>Total leasehold improvements</b>	<u><b>202</b></u>	<u><b>271</b></u>

Notes	2022 DKK '000	2021 DKK '000
<b>9 Plant and machinery</b>		
Cost 1 <sup>st</sup> January	9,011	6,805
Additions for the year	818	2,439
Disposals for the year	-112	-233
Cost 31 <sup>st</sup> December	<u>9,717</u>	<u>9,011</u>
Depreciations 1 <sup>st</sup> January	-6,758	-6,805
Depreciations for the year	-488	-186
Depreciations on disposals	112	233
Depreciations 31 <sup>st</sup> December	<u>-7,134</u>	<u>-6,758</u>
<b>Total plant and Machinery</b>	<b><u>2,583</u></b>	<b><u>2,253</u></b>
<b>10 Other fixtures and fittings, tools and equipment</b>		
Cost 1 <sup>st</sup> January	11,192	9,082
Additions for the year	238	3,853
Disposals for the year	-3,434	-1,743
Cost 31 <sup>st</sup> December	<u>7,996</u>	<u>11,192</u>
Depreciations 1 <sup>st</sup> January	-6,614	-6,288
Depreciations for the year	-711	-1,443
Depreciations on disposals	744	1,117
Depreciations 31 <sup>st</sup> December	<u>-6,581</u>	<u>-6,614</u>
<b>Total other fixtures and fittings, tools and equipment</b>	<b><u>1,415</u></b>	<b><u>4,578</u></b>

Notes	2022 DKK '000	2021 DKK '000
<b>11 Equity investments in subsidiaries</b>		
Cost 1 <sup>st</sup> January	82	82
Additions for the year	<u>1,494</u>	<u>0</u>
Cost 31 <sup>st</sup> December	<u>1,576</u>	<u>82</u>
Value adjustments 1 <sup>st</sup> January	-82	-82
Profit or loss for the year	-35	-211
Currency rate adjustments	-70	13
Other Value adjustments	<u>-168</u>	<u>198</u>
Value adjustments 31 <sup>st</sup> December	<u>-355</u>	<u>-82</u>
<b>Equity investments in subsidiaries total</b>	<b><u>1,221</u></b>	<b><u>0</u></b>
<b>Name</b>	<b>Place</b>	<b>Ownership</b>
Sophion Bioscience Inc.	USA	100%
Sophion Bioscience K.K.	Japan	100%
Sophion Bioscience Co., Ltd.	China	100%
<b>12 Deposits</b>		
Cost 1 <sup>st</sup> January	648	629
Additions for the year	<u>45</u>	<u>19</u>
Cost 31 <sup>st</sup> December	<u>693</u>	<u>648</u>
<b>Total Deposits</b>	<b><u>693</u></b>	<b><u>648</u></b>
<b>13 Deferred tax asset</b>		
Deferred tax asset 1 <sup>st</sup> January	2,271	8,433
Recognized in this years profit	<u>-2,271</u>	<u>-6,162</u>
<b>Deferred tax asset 31<sup>st</sup> December</b>	<b><u>0</u></b>	<b><u>2,271</u></b>

Notes	2022 DKK '000	2021 DKK '000
<b>14 Prepayments</b>		
Insurances	149	56
Rent	479	474
Licenses, patents and subscriptions	2,193	641
Leasing	150	75
<b>Total prepayments</b>	<b>2,971</b>	<b>1,246</b>
<b>15 Share capital</b>		
A shares 6.282.623 shares of nom. DKK 1 each	6,283	6,283
B share, 43.717.377 shares of nom. DKK 1 each	43,717	43,717
<b>Total share capital</b>	<b>50,000</b>	<b>50,000</b>
<b>16 Deferred tax liability</b>		
Deferred tax liability 1 <sup>st</sup> January	0	0
Recognized in this years profit	4,980	0
<b>Deferred tax liability 31<sup>st</sup> December</b>	<b>4,980</b>	<b>0</b>
<p>Recognized deferred tax assets primarily relate to development projects and tax losses from previous years to carry forward of 19 million DKK. The tax losses can be carried forward without a time limit and the management has chosen to fully recognize the tax losses, as they are expected to be used within the next years. The recognition is based on the positive results realized in the years 2018-2022 and the management's expectations for the coming years' results. The company is thus expected to continue to make a tax profit, and is therefore expected to use the tax losses to carry forward.</p>		
<b>17 Other provisions</b>		
Other provisions 1 <sup>st</sup> January	624	480
Regulated during the year	48	144
<b>Other provisions 31<sup>st</sup> December</b>	<b>672</b>	<b>624</b>

Notes	2022 DKK '000	2021 DKK '000
<b>18 Contingent liabilities</b>		
The company is jointly and severally liable with the parent company Sapphire Bioscience Holding ApS and other group companies for Danish corporation tax and withholding taxes on dividends and royalties within joint taxation. Corporation tax and withholding taxes within the joint taxation circle are disclosed in the managing company's annual accounts.		
<b>19 Contractual liabilities</b>		
The company has signed rent agreement with 6 months' notice. The liability of the notice period is 625 TDKK.		
<b>20 Related parties and ownership</b>		
The following shareholders are recorded in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital: Sapphire Bioscience Holding ApS, Ballerup, ownership 100%		
The parent company Sapphire Bioscience Holding ApS prepares consolidated accounts wherein this company is a subsidiary.		
All related transactions are on market conditions, so the company and the group do not disclose these with reference to section 98c, act 7 of the Danish Financial Statements Act.		

## Accounting principles

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### General

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act as regards reporting class C-medium enterprises.

The financial statements have been prepared in accordance with the same accounting policies as last year.

### Change in accounting estimates

The company continuously assesses the economic viability of the products in relation to the development activities and launch of new products.

In this connection, the company has made a reassessment of the viability for parts of the development projects and has reduced the period from 8 to 5 years. Reassessment of the viability has increased depreciation of 3.5 million DKK and has thus reduced the profit for the year, balance sheet total and equity by 3.5 million DKK before tax and 2.7 million DKK after tax.

### Consolidated

According to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The annual accounts of Sophion Bioscience A/S and subsidiaries are included in the consolidated financial statements of Sapphire Bioscience Holding ApS.

### General about recognition and valuation

Assets are included in the balance sheet where it is likely that future financial benefits will accrue to the company and where the asset's value can be reliably valued.

Liabilities are included in the balance sheet where it is likely that future financial resources will be deducted from the company and where the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are valued at cost. Assets and liabilities are subsequently valued as described for each individual item below.

Certain financial assets and liabilities are measured at amortised cost where a constant effective interest is recognised over the maturity period. Amortised cost is stated as original cost less any principal payments plus or minus the cumulative amortisation of any difference between cost and nominal amount.

When recognising and valuing, consideration is given to foreseeable losses and risks that occur prior to submission of the Annual Report and that serve to confirm or refute conditions existing on the balance sheet date.

Income is recognised in the income statement as earned, including recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Costs incurred to achieve the earnings for the year are also recognised, including amortisation, and write-downs and provisions, as well as reversals resulting from changes to accounting estimates that were previously recognised in the income statement.

### Translation of foreign currency

Transactions denominated in foreign currencies are translated during the course of the year at the exchange

## Accounting principles

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rates at the date of the transaction. Receivables, payables and other items denominated in foreign currency not settled on the balance sheet date are translated at the exchange rates at the balance sheet date.

Foreign subsidiaries are considered to be independent entities. Income statements are translated at an average exchange rate and the balance sheet items are translated at the balance sheet date exchange rates. Exchange differences arising from the translation of foreign subsidiaries' equity at the beginning of the year at the exchange rates at the balance sheet date and on translation of income statements from through-exchange rates at the exchange rates at the balance sheet date are recognized directly in equity.

Exchange rate adjustments of balances with independent foreign subsidiaries, which are considered to be part of the total investment in subsidiaries, are recognized directly in equity.

Realised and unrealised exchange gains and losses are recognised in the income statement as financial income or expenses.

No financial instruments are used to hedge the value in Danish kroner of balance sheet items in foreign currency or future transactions in foreign currency.

### Business acquisition

When acquiring new companies in which the Group obtains controlling influence over the acquired enterprise, the acquirer's identifiable assets, liabilities and contingent liabilities are measured at fair value at acquisition date. The acquisition date is the time when the control of the company is actually taken over. If the cost of the acquired identifiable net assets exceeds the fair value of the net assets and the value of minority interests in the acquire, the excess amounts are recognized as goodwill in financial assets. If the fair value of the acquired identifiable net assets exceeds the cost of the net assets, the amount is recognized in the income statement at the acquisition date.

The cost of an enterprise consists of the fair value of the consideration paid, including acquisition costs for the acquired enterprise. Profit from subsidiaries acquired during the year is included in the parents income statement from the acquisition date.

### Income statement

#### Revenue

Revenue is recognised in the income statement where delivery took place and the risk passed to the buyer prior to the end of the financial year. Revenue is recognised exclusive of VAT and after deduction of discounts given in connection with the sale.

#### Gross profit

Revenue less cost of sales and other external costs are included in the income statement as "Gross profit".

## Accounting principles

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### Income from investments in subsidiaries

Income from associates is recognized in the income statement with the relative share of the company's profit after adjusting internal profit or loss.

### Financial income and expenses

Net financials include interest income and expenses, realised and unrealised exchange gains and losses relating to debt and transactions denominated in foreign currency, and surcharges and allowances under the advance-payment-of-tax scheme, etc.

### Tax on profit for the year

The portion of the tax for the year, consisting of the current tax for the year and the change in deferred tax for the year, which can be attributed to the profit for the year is included in the income statement, and the portion that can be attributed to transactions taken to equity is included directly in equity.

The company is subject to the Danish rules on compulsory joint taxation of the parent company and the Danish subsidiaries.

The current Danish corporation tax is distributed by settling joint taxation contributions between the jointly taxed companies in proportion to their taxable income. In connection with this, companies with tax losses receive joint taxation contributions from companies that have been able to apply this deficit (full distribution).

### Balance sheet

#### Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated depreciation. Depreciation is distributed on a straight-line basis over the expected useful lives with a scrap value of 0%.

Expected useful lives include:

Development projects	2-8 years
Patents, licenses and similar rights	5-10 years
Other intangible fixed assets	10 years

Development projects include costs, including salaries and salaries, as well as depreciation, which are directly or indirectly attributable to the company's development activities and which meet the criteria for recognition. Development costs are measured at cost price. Capitalized development costs are amortized on a straight-line basis after completion of development work over the useful life.

Development projects relating to products and processes that are clearly defined and identified where the technical utilization rate, sufficient resources and potential future market or development opportunity in the company can be identified and where it intends to produce, market or use the product or process in question, recognized as intangible assets. Other development costs are recognized as expenses in the income statement when costs are incurred.



## Accounting principles

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Indirect production costs in the form of indivisible attributable personnel costs and depreciation of intangible assets and property, plant and equipment used in the development process are recognized in the cost price based on the time consumed for each project.

Depreciation related to development costs is based on the expected useful lives and the contractually agreed entitlement periods.

Development costs that do not meet the criteria for recognition in the balance sheet are recognized in the income statement.

An amount corresponding to the recognized development costs is linked to a special reserve under equity called "Reserve for development costs". The reserve can not be used for dividends or coverage of losses. If the recognized development costs are sold or at another meeting, due to the operation of the company, the reserve is dissolved or reduced. This is done by transferring the reserve for development costs to the equity reserves. If the recognized development costs are written down, part of the development cost reserve must be reversed. The part to be reversed corresponds to the write-down of development costs. If a write-down of development costs is subsequently reversed, the reserve for development costs must be restored. The reserve for development costs must also be reduced using depreciation. In this way, the equity reserve will correspond to the amount recognized in the balance sheet as development costs.

Profit or loss on disposal of intangible assets is calculated as the difference between the selling price less selling expenses and the carrying amount at the date of sale. Profits or losses are recognized in the income statement under other operating income or other operating expenses.

### Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation. Depreciation is applied using the straight-line method, based on an assessment of the expected useful life and residual value of the individual asset.

The basis for depreciation is cost less expected residual value when the asset ceases to be used. The cost includes the acquisition cost plus costs directly associated with the acquisition up to the time when the asset is ready to be taken into use.

The amortization period and the residual value are determined at the acquisition date and are reviewed annually. If the residual value exceeds the carrying amount of the asset, depreciation will cease. Changes in the amortization period or residual value include the effect of depreciation forward-looking as a change in accounting estimates.

Expected usage time is calculated as follows with a scrap value of 0%:

Leasehold improvements	10 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

## Accounting principles

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Gains or losses from the disposal of tangible fixed assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of the sale. Gains or losses are recognised in the income statement under other operating income or other operating expenses.

Tangible fixed assets leased and meeting the terms of financial leasing are treated according to the same guidelines as owned assets.

### Write-down on fixed assets

The balance sheet value of fixed assets are assessed annually for any indications of impairment, in addition to those expressed as depreciation.

If there are any indications of impairment, an impairment test are carried out for each individual asset or group of assets. Where an asset's recoverable value is lower than the carrying amount, the asset is written down to the recoverable value.

The recoverable value is the higher of the net selling price and the value in use. The value in use are calculated as the current value of the estimated net income from the use of the asset or group of assets

### Financial assets

Investments in affiliated companies are recognized using the equity method. Share of profit for the year is recognized in the income statement. In the balance sheet, the proportionate share of the book value is calculated in accordance with the parent company's accounting policies, adjusted for unrealized intra-group gains or losses.

Affiliated companies with negative net asset value are recognized at DKK 0 and an equivalent receivable from these companies is written down with the parent company's share of the negative net asset value to the extent that the receivable is deemed to be irreconcilable. If the negative net asset value exceeds receivables, the remaining part of the negative asset value is recognized under provisions to the extent that the parent company has a legal or actual obligation to cover the underlying balance of these companies.

Deposits are valued at acquisition cost.

### Inventories

Inventories are measured at cost based on the FIFO method, or at realisable value, whichever is the lower. Any write-downs to net realisable value are recognized in the income statement.

The net realisable value of inventories is calculated as the selling price less completion costs and costs incurred to execute sale, and is fixed with due consideration to marketability, obsolescence and movements in expected selling prices.

The cost of goods for resale as well as raw materials and consumables comprises the acquisition cost plus any attributable delivery costs.

## Accounting principles

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The cost of manufactured goods and manufactured goods includes cost of raw materials, consumables, direct pay and direct production costs. Indirect production costs include indirect materials and wages as well as maintenance and depreciation of the machinery, plant and equipment used in the production process, factory administration and management costs and capitalized development costs relating to the products.

### Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by write-downs for bad debts based on an individual assessment of each receivable.

### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

### Cash at hand and in bank

Includes deposits on bank accounts.

### Dividend

Dividend, the management proposes paid for the year, is shown as a separate item under equity. Proposed dividend is recognized as a liability at the time of adoption at the general meeting.

### Liabilities

Liabilities are measured at amortized cost equal to the nominal value.

### Tax payable and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated based on the balance sheet liability method of all temporary differences between the carrying amount and tax values of assets and liabilities. Deferred tax is measured based on the tax rules and tax rates that, according to the legislation in place on the balance sheet date, will apply when the deferred tax is expected to be converted to current tax. Any changes in deferred tax because of amendments to tax rates are recognised in the income statement.

Deferred tax assets, including the tax value of tax loss carry forwards, are measured at the value at which the asset is expected to be realized either by settlement in tax of future positive taxable income or by offsetting in deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realizable value.

### Cash flow statement

With reference to section 86, act 4 of the Danish Financial Statements act, the company has chosen not to prepare cash flow statement, as it is included in the consolidated cash flow statement, which has been prepared in the annual report of Sapphire Bioscience Holding ApS.

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