

Vericel Denmark ApS

CVR-nr. 19 74 09 86

Annual Report for 2015

*The Annual Report has been presented and
adopted at the Annual General Meeting of the
Company on 10/6 2016*

**MAZANTI—
ANDERSEN
KORSØ
JENSEN**

Chairman

**Advokat
Rasmus C. Trosborg**
Amaliegade 10
1256 København K
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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Vericel Denmark ApS for the financial year 1 January – 31 December 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

Further, in our opinion, the Executive Board's review gives a fair review of the matters discussed in the Executive Board's review.

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

Copenhagen, 10 June 2016



Executive Board

Gerard Joseph Michel

Independent auditors' report

To the shareholders of Vericel Denmark ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Vericel Denmark ApS for the financial year 1 January –31 December 2015, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

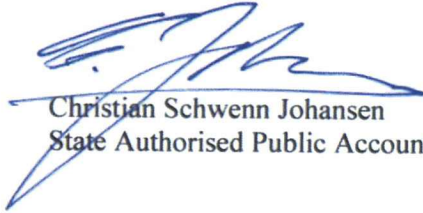
Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January –31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 10 June 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant

Company Information

The Company

Vericel Denmark ApS
c/o Mazanti-Andersen Korsø Jensen
Amaliegade 10
DK-1256 København K

Website: www.vcel.com

CVR-no: 19 74 09 86

Financial year: 1 January - 31 December

Municipality of Copenhagen
reg. office:

Established 1 September 1996

Executive Board Gerard Joseph Michel

Auditors Ernst & Young P/S
Osvald Helmuths vej 4
DK-2000 Frederiksberg, Denmark

Lawyers Mazanti-Andersen Korsø Jensen
Amaliegade 10
DK-1256 København K

Bankers Danske Bank
Holmens Kanal 2-12
DK-1060 København K

Consolidated Financial Statements The Company is included in the Annual Accounts of Vericel Corporation, 24 Frank Lloyd Wright Drive, Ann Arbor MI 48105 United States of America

The Group is included in the Annual Report of Vericel Corporation that can be requested via the Company's homepage.

Management's Review

Activities and happenings in the financial year

Vericel Denmark ApS is a wholly-owned subsidiary of Vericel Corporation. It is currently a dormant company existing in order to maintain European licensing for MACI. As such, the primary activity in 2015 was the payment of applicable fees including the annual fee to maintain European licensing for MACI.

Subsequent events

After the balance sheet date, no events have occurred that will have any material influence on the assessment of the Annual Report, which have not already been disclosed therein.

Future events

Vericel Corporation will continue to maintain the Danish biosurgery business unit as a dormant company in order to maintain European licensing for MACI.

Accounting Policies

Basis of preparation

The Annual Report of Vericel Denmark ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B, and is unchanged compared to last year.

The annual report is presented in DKK.

Recognition and measurement

All revenues are recognised in the income statement as earned based on the following criteria:

- delivery has been made before year end,
- a binding sales agreement has been made,
- the sales price has been determined, and
- payment has been received at the time of sale or may with reasonable certainty be expected to be received.

Furthermore, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation and impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated during the year at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Corporation tax and deferred tax

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity entries is recognised directly in equity. Any share of the tax reported in the income statement arising from profit/loss on extraordinary activities for the year is attributed to such activities, whereas the remaining share is attributed to profit/loss on ordinary activities for the year.

Accounting Policies

Current tax liabilities and current tax receivable are recognised in receivables in the balance sheet in the event of overpayment of tax on account, and in debt in the event of underpayment of tax on account.

Deferred tax is measured under the balance sheet liability method in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within a shorter period of time.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Income Statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk have been made to the purchaser by year-end. Revenue is recognised, excluding VAT and net of discounts relating to sales.

Revenue includes contract manufacturer fee received from group companies.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, the items "Revenue", "Cost of sales" and "Other external expenses" are consolidated into one item designated "Gross profit/loss".

Other external expenses

Other external expenses comprise expenses productions costs, distribution, premises as well as office expenses, etc.

Staff costs

Staff costs comprise wages and salaries as well as other staff costs. Other staff costs comprises of payroll tax.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments.

Accounting Policies

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance Sheet

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience.

Debts

Debts are measured at amortized cost, substantially corresponding to nominal value.

Cash

Cash at bank comprise cash in bank accounts which are subject to an insignificant risk of changes in value.

Income Statement 1 January – 31 December

	Note	2015	2014
		DKK	DKK
Gross profit/(loss)		(236,339)	3,321,009
Staff expenses	1	964,730	(16,942,179)
Profit/(loss) before financial income and expenses		728,391	(13,621,170)
Financial income		65,042	18,958
Financial expenses		(1,469)	(12,597)
Profit/(loss) before tax		791,964	(13,614,809)
Tax on profit/(loss) for the year	2	-	-
Net profit/(loss) for the year		791,964	(13,614,809)

Distribution of profit

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		DKK	DKK
Profit to be appropriated			
Retained earnings		6,576,195	31,991,004
Capital withdrawal		-	(11,800,000)
Net profit for the year		791,964	(13,614,809)
Available for appropriation		<u>7,368,159</u>	<u>6,576,195</u>
Proposed distribution of profit			
Retained earnings		7,368,159	6,576,195
		<u>7,368,159</u>	<u>6,576,195</u>

Balance Sheet at 31 December

Assets

	Note	2015	2014
		DKK	DKK
Trade receivables		-	875,481
Receivables from group enterprises		8,666,982	9,364,176
Other receivables		173,624	378,652
Prepayments		-	986,366
Income tax receivable		375,000	375,000
Receivables		9,215,606	11,979,675
Cash at bank		538,411	842,216
Current assets		9,754,017	12,821,891
Assets		9,754,017	12,821,891

Balance Sheet at 31 December

Liabilities and equity

	Note	2015	2014
		DKK	DKK
Share capital	3	1,000,000	1,000,000
Retained earnings		7,368,159	6,576,195
Equity		8,368,159	7,576,195
Trade payables		7,386	415,720
Other payables		1,378,472	4,829,976
Short-term debt		1,385,858	5,245,696
Liabilities and equity		9,754,017	12,821,891
Related parties and ownership	4		

Statement of Change in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January 2015	1,000,000	6,576,195	7,576,195
Net profit/(loss) for the year	-	791,964	791,964
Equity at 31 December 2015	<u>1,000,000</u>	<u>7,368,159</u>	<u>8,368,159</u>

Notes to the Annual Report

	2015	2014
1 Staff	DKK	DKK
Wages and salaries	137,979	14,324,735
Pensions	11,303	1,177,762
Other social security expenses	34,113	1,439,682
Other staff costs	(1,148,125)	-
	<u>(964,730)</u>	<u>16,942,178</u>

With reference to Section 98b(iii) of the Danish Financial Statements Act, information regarding remuneration to the Management is omitted as the Company only pays remuneration to one category of Management.

At 31 December 2015, the Company had no employees.

Other staff costs comprise of salary duties refunded by the Danish Tax Authorities which totals DKK 1,084 thousand.

Average number of employees	0	25
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2 Tax on profit/loss for the year

A deferred tax asset relating to temporary differences existed at 31 December 2015. This deferred tax asset has not been recognized in the financial statements, due to uncertainty about the possible future use

3 Share Capital

The share capital consists of 1,000 shares of a nominal value of DKK 1,000 each. No shares carry any special rights.

There have been no changes in the share capital in the five previous years.

Notes to the Annual Report

4 Related parties and ownership

The Company's parent company, which prepares consolidated financial statements, into which the Company is incorporated as a subsidiary, is Vericel Corporation. The consolidated financial statements can be downloaded from the Group's homepage (www.Vcel.com).

Ownership

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:

Vericel Coporation
Domino's Farms, Lobby K – 24 Frank Lloyd Wright Drive
Ann Arbor, MI 48105
United States of America

Related Party Transactions

According to Executive Board, related party transactions have been conducted on an arm's length basis.