
StemMedical A/S

Gyngemose Parkvej 50, DK-2860 Søborg

Annual Report for 1 January - 31 December 2022

CVR No 35 85 28 08

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /5 2023

Stig Løkke Pedersen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of StemMedical A/S for the financial year 1 January - 31 December 2022.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Søborg, 24 April 2023

Executive Board

Klaus Rudolf Langhoff-Roos
CEO

Peter Bo Selvig
Executive Officer

Lasse Blirup Snebjerg
Executive Officer

Board of Directors

Stig Løkke Pedersen
Chairman

Christian Nissen Riisberg
Deputy Chairman

Nis Isak Alstrup

Christina Molt Wengel

Stig-Frederik Trojahn Kølle

Anders Christian Wolf Kølle

Erik Aznauryan

The Independent Practitioner's Report

To the Shareholders of StemMedical A/S

Conclusion

We have performed an extended review of the Financial Statements of StemMedical A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Practitioner's responsibilities for the extended review 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 (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Material Uncertainty Related to Going Concern

We draw attention to the fact that there is material uncertainty that may raise significant doubt about the company's ability to continue as going concern. We refer to note 1 in the annual accounts, from which it appears that the company's going concern is dependent on the company being supplied with the necessary liquidity either in the form of equity or loan financing.

It is the management's assessment and expectation that the company will be supplied with the necessary liquidity either in the form of equity or loan financing, which is why the annual accounts are presented on the assumption of going concern.

Our conclusion is not modified regarding this matter.

The Independent Practitioner's Report

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 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.

Practitioner's responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

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 extended review 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 extended review, 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 Financials Statements Act.

The Independent Practitioner's Report

Based on the work we have performed, in our view, 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 in Management's Review.

Hellerup, 24 April 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Thomas Baunkjær Andersen

State Authorised Public Accountant

mne35483

Company Information

The Company

StemMedical A/S
Gyngemose Parkvej 50
DK-2860 Søborg

CVR No: 35 85 28 08
Financial period: 1 January - 31 December
Incorporated: 2 May 2014
Financial year: 9th financial year
Municipality of reg. office: Gladsaxe

Board of Directors

Stig Løkke Pedersen, Chairman
Christian Nissen Riisberg
Nis Isak Alstrup
Christina Molt Wengel
Stig-Frederik Trojahn Kølle
Anders Christian Wolf Kølle
Erik Aznauryan

Executive Board

Klaus Rudolf Langhoff-Roos
Peter Bo Selvig
Lasse Blirup Snebjerg

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

The company's objective is to perform research and experimental development activities within biotechnology.

Development in the year

The income statement of the Company for 2022 shows a loss of DKK 18,876,055, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 12,392,865.

Going Concern

For information regarding significant uncertainty about going concern, please refer to note 1 in the annual report.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Gross profit/loss		-7,902,529	-4,371,015
Staff expenses	2	-11,156,866	-8,822,452
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-1,159,699	-1,265,172
Profit/loss before financial income and expenses		-20,219,094	-14,458,639
Financial expenses		-99,352	-88,074
Profit/loss before tax		-20,318,446	-14,546,713
Tax on profit/loss for the year	4	1,442,391	1,325,346
Net profit/loss for the year		-18,876,055	-13,221,367

Distribution of profit

Proposed distribution of profit

Retained earnings		-18,876,055	-13,221,367
		-18,876,055	-13,221,367

Balance Sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Acquired patents		1,256,494	1,219,654
Goodwill		0	0
Intangible assets	5	1,256,494	1,219,654
Other fixtures and fittings, tools and equipment		1,703,259	2,171,606
Leasehold improvements		1,161,571	403,066
Property, plant and equipment	6	2,864,830	2,574,672
Deposits		180,936	180,936
Fixed asset investments		180,936	180,936
Fixed assets		4,302,260	3,975,262
Inventories		1,852,263	941,039
Other receivables		164,061	867,234
Corporation tax		1,442,391	1,325,346
Receivables		1,606,452	2,192,580
Cash at bank and in hand		5,530,630	11,108,053
Currents assets		8,989,345	14,241,672
Assets		13,291,605	18,216,934

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital	7	623,736	595,290
Retained earnings		11,769,129	15,789,830
Equity		12,392,865	16,385,120
Trade payables		180,395	968,435
Other payables		718,345	863,379
Short-term debt		898,740	1,831,814
Debt		898,740	1,831,814
Liabilities and equity		13,291,605	18,216,934
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

Statement of Changes in Equity

	Share capital	Share premium	Retained	Total
	<u>DKK</u>	<u>account</u>	<u>earnings</u>	<u>DKK</u>
	DKK	DKK	DKK	DKK
Equity at 1 January	595,290	0	15,789,830	16,385,120
Cash capital increase	28,446	14,855,354	0	14,883,800
Net profit/loss for the year	0	0	-18,876,055	-18,876,055
Transfer from share premium account	0	-14,855,354	14,855,354	0
Equity at 31 December	<u>623,736</u>	<u>0</u>	<u>11,769,129</u>	<u>12,392,865</u>

Notes to the Financial Statements

1 Going concern

The company's main activity consists of commercial and experimental development within life science. StemMedical A/S expects to continue the company's ongoing commercial and research & development activities, with a resulting draw on the company's cash and cash equivalents. As a consequence of this, the company's liquidity situation will be challenged at the end of the financial year 2023.

The company's management has therefore initiated a dialogue with potential investors who can provide the necessary liquidity so that the company can continue to deliver on its plans through the financial year 2023. Management expects that the ongoing dialogue with potential investors will result in the company being supplied with the necessary liquidity, either in the form of equity or loan financing, and is therefore submitting the annual report under the assumption of going concern.

Although management expects the company to be supplied with the necessary liquidity in the form of equity or loan financing, the company can implement additional cost saving measures to keep the company operating responsibly through the financial year of 2023 in case of liquidity financing delays. However, the above indicates that there is material uncertainty which may raise significant doubts about the company's going concern.

	2022 DKK	2021 DKK
2 Staff expenses		
Wages and salaries	10,104,298	8,020,137
Pensions	950,238	747,559
Other staff expenses	102,330	54,756
	11,156,866	8,822,452
Average number of employees	10	9

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	202,147	174,419
Depreciation of property, plant and equipment	957,552	1,152,896
Gain and loss on disposal	0	-62,143
	1,159,699	1,265,172

Notes to the Financial Statements

	2022 DKK	2021 DKK
4 Tax on profit/loss for the year		
Current tax for the year	-1,442,391	-1,325,346
	-1,442,391	-1,325,346
5 Intangible assets		
	Acquired pa- tents DKK	Goodwill DKK
Cost at 1 January	1,867,604	66,333
Additions for the year	238,982	0
Cost at 31 December	2,106,586	66,333
Impairment losses and amortisation at 1 January	647,945	66,333
Amortisation for the year	202,147	0
Impairment losses and amortisation at 31 December	850,092	66,333
Carrying amount at 31 December	1,256,494	0
Amortised over	10 years	5 years

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	7,317,944	929,393
Additions for the year	<u>251,354</u>	<u>996,355</u>
Cost at 31 December	<u>7,569,298</u>	<u>1,925,748</u>
Impairment losses and depreciation at 1 January	5,146,337	526,327
Depreciation for the year	<u>719,702</u>	<u>237,850</u>
Impairment losses and depreciation at 31 December	<u>5,866,039</u>	<u>764,177</u>
Carrying amount at 31 December	<u>1,703,259</u>	<u>1,161,571</u>
Depreciated over	<u>5 years</u>	<u>5 years</u>

7 Equity

The share capital consists of 623,736 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2022	2021	2020	2019	2018
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	595,290	595,290	525,965	514,653	222,547
Capital increase	<u>28,446</u>	<u>0</u>	<u>69,325</u>	<u>11,312</u>	<u>292,106</u>
Share capital at 31 December	<u>623,736</u>	<u>595,290</u>	<u>595,290</u>	<u>525,965</u>	<u>514,653</u>

Notes to the Financial Statements

	<u>2022</u> DKK	<u>2021</u> DKK
8 Contingent assets, liabilities and other financial obligations		

Contingent assets

The Company has a basis for calculating of deferred tax amounting TDKK 32,355. The nominal value of this amounts to 22% in total TDKK 7,118. Management has chosen not to recognise the deferred tax asset due to uncertainty about the Company's ability to use the deferred tax asset, as it can be attributed primarily to tax losses carried forward.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	<u>231,574</u>	<u>219,741</u>
	<u>231,574</u>	<u>219,741</u>

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of StemMedical A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, 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 are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

9 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

9 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in 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 transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 10 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Notes to the Financial Statements

9 Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Notes to the Financial Statements

9 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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