Cembrane A/S

Nøglegårdsvej 10, 3540 Lynge

CVR no. 36 42 22 89

Annual report 2022

Approved at the Company's annual general meeting on 30 June 2023

Chair of the meeting:

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Lasse Andreassen

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Cembrane 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 of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

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

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

Lynge, 30 June 2023
Executive Board:

Lasse Andreassen CEO	Niklas Tolstrup Andreassen	Sebastian Andreassen

Board of Directors:

Marc Barbeau	Sebastian Andreassen	Reinhard Hübner

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Board of Directors:

		Reinhard Hübner
Marc Barbeau	Sebastian Andreassen	Reinhard Hübner

Independent auditor's report

To the shareholder of Cembrane A/S

Opinion

We have audited the financial statements of Cembrane 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 accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 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 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control 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 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and the 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 Company's internal control.

Independent auditor's report

- 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 note 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 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 form of 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 the work we have performed, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 30 June 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Michael Sig
State Authorised Public Accountant
mne34110

Management's review

Company details

Name	Cembrane A/S
Address, Postal code, City	Nøglegårdsvej 10, 3540 Lynge
CVR no.	36 42 22 89
Established	3 November 2014
Financial year	1 January - 31 December
Board of Directors	Marc Barbeau Sebastian Andreassen Reinhard Hübner
Executive Board	Lasse Andreassen, CEO Niklas Tolstrup Andreassen Sebastian Andreassen
Auditors	EY Godkendt Revisionspartnerselskab Cortex Park Vest 3, 5230 Odense M, Denmark

Management's review

Business review

The purpose of the company is to conduct industrial research and manufacturing activities as well as trade in ceramic filters and any related activites.

Financial review

The income statement for 2022 shows a loss of DKK 4,902,830 against a loss of DKK 2,259,357 last year, and the balance sheet at 31 December 2022 shows equity of DKK 65,149,356.

Norse Star Holding ApS (parent company) and Cembrane A/S (100 % owned) are merged at 1. Januar 2022 with Cembrane A/S as the continuing company. The group method is applied for the combination of the entities.

Due to the merger the equity per 1 January 2022 has been increased by DKK 25 million primarily as a result of recognition of goodwill in the parent company.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2022 12 months	2021 9 months
	Revenue	42,671,711	28,156,928
	Cost of sales	-21,351,565	-14,080,450
	Other operating income	10,000	0
	Other external expenses	-5,446,304	-2,286,651
	Gross profit	15,883,842	11,789,827
2	Staff costs	-12,417,848	-7,845,919
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8,630,378	-6,081,397
	Profit/loss before net financials	-5,164,384	-2,137,489
3	Financial income	914,982	159,437
4	Financial expenses	-1,215,446	-297,637
	Profit/loss before tax	-5,464,848	-2,275,689
5	Tax for the year	562,018	16,332
	Profit/loss for the year	-4,902,830	-2,259,357
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-4,902,830	-2,259,357
		-4,902,830	-2,259,357

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2022	2021
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Completed development projects	0	1,178
	Acquired intangible assets	564,567	795,047
	Goodwill	23,910,828	26,809,110
		24,475,395	27,605,335
7	Property, plant and equipment		
	Land and buildings	8,714,971	8,914,094
	Plant and machinery	34,561,207	34,015,850
	Fixtures and fittings, other plant and equipment	564,445	507,571
		43,840,623	43,437,515
	Total fixed assets	68,316,018	71,042,850
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	4,684,318	3,216,975
	Finished goods and goods for resale	994,332	1,059,771
		5,678,650	4,276,746
	Receivables		
	Trade receivables	13,315,078	5,924,535
	Other receivables	224,080	384,868
	Prepayments	406,076	108,289
		13,945,234	6,417,692
	Cash	5,343,820	5,548,668
	Total non-fixed assets	24,967,704	16,243,106
	TOTAL ASSETS	93,283,722	87,285,956

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	21,150,788	21,320,288
	Share premium account	18,736,311	19,096,371
	Retained earnings	25,262,257	29,635,527
	Total equity	65,149,356	70,052,186
	Provisions		
	Deferred tax	1,166,598	1,728,616
	Total provisions	1,166,598	1,728,616
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Mortgage debt	4,248,559	4,527,078
	Other payables	375,601	367,875
		4,624,160	4,894,953
	Current liabilities other than provisions		
8	Short-term part of long-term liabilities other than provisions	285,718	286,290
	Trade payables	3,591,873	1,523,287
	Payables to group enterprises	11,288,008	6,573,485
	Other payables	4,284,895	2,227,139
	Deferred income	2,893,114	0
		22,343,608	10,610,201
	Total liabilities other than provisions	26,967,768	15,505,154
	TOTAL EQUITY AND LIABILITIES	93,283,722	87,285,956

1 Accounting policies
9 Collateral
10 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Share premium account	Retained earnings	Total
Equity at 1 April 2021	21,320,288	19,096,371	4,305,187	44,721,846
Additions on merger/corporate acquisition	0	0	27,589,697	27,589,697
Transfer through appropriation of loss	0	0	-2,259,357	-2,259,357
Equity at 1 January 2022	21,320,288	19,096,371	29,635,527	70,052,186
Capital reduction	-169,500	-360,060	529,560	0
Transfer through appropriation of loss	0	0	-4,902,830	-4,902,830
Equity at 31 December 2022	21,150,788	18,736,311	25,262,257	65,149,356

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Cembrane A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

Basis of recognition and measurement

Norse Star Holding ApS (parent company) and Cembrane A/S (100 % owned) are merged at 1. Januar 2022 with Cembrane A/S as the continuing company.

The group method is applied for the combination of the entities. Thereby, the entities are combined at the revaluation value recognised in the consolidated financial statements or which would have been recognised in the consolidated financial statements for the parent company included in the merger. The group method is applied as if the entities had been combined from the date when the parent company acquired the equity investments in the entities included in the merger, and therefore, the comparative figures were restated.

Due to the merger the equity per 1 January 2022 has been increased by DKK 25 million primarily as a result of recognition of goodwill in the parent company.

Reporting currency

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

Intra-group business combinations

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

For vertical and downstream intra-group mergers the group method is applied for the combination of the entities. Thereby, the entities are combined at the revaluation value recognised in the consolidated financial statements or which would have been recognised in the consolidated financial statements for the parent company included in the merger. The group method is applied as if the entities had been combined from the date when the parent company acquired the equity investments in the entities included in the merger, and therefore, the comparative figures were restated.

Foreign currency translation

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising and administration.

Staff costs

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Acquired intangible assets	7 years
Goodwill	10 years
Land and buildings	25 years
Plant and machinery	10 years
Fixtures and fittings, other plant and equipment	5 years
Leasehold improvements	5 years

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years.

Other intangible assets include development projects and other acquired intangible rights, including patents and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in group entities and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

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

Cash

Cash comprise cash and short term securities.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Payables to credit institutions

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK	2022 12 months	2021 9 months
2	Staff costs		
	Wages/salaries	11,552,525	7,216,966
	Pensions	622,850	449,572
	Other social security costs	237,886	175,422
	Other staff costs	4,587	3,959
		12,417,848	7,845,919
	Average number of full-time employees	27	27
3	Financial income		
	Exchange adjustments	280,686	109,003
	Exchange gain	630,171	50,434
	Other financial income	4,125	0
		914,982	159,437
4	Financial expenses		
	Exchange adjustments	158,060	40,553
	Exchange losses	989,350	147,069
	Other financial expenses	68,036	110,015
		1,215,446	297,637
5	Tax for the year		
	Deferred tax adjustments in the year	-562,018	-16,332
		-562,018	-16,332

6 Intangible assets

DKK	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2022	571,826	1,748,307	28,982,822	31,302,955
Cost at 31 December 2022	571,826	1,748,307	28,982,822	31,302,955
Impairment losses and amortisation at 1 January 2022	570,648	953,260	2,173,712	3,697,620
Amortisation for the year	1,178	230,480	2,898,282	3,129,940
Impairment losses and amortisation at 31 December 2022	571,826	1,183,740	5,071,994	6,827,560
Carrying amount at 31 December 2022	0	564,567	23,910,828	24,475,395
Amortised over	5 years	7 years		

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2022	9,510,595	48,107,159	1,316,770	58,934,524
Additions	0	5,632,764	270,781	5,903,545
Disposals	0	-35,000	0	-35,000
Cost at 31 December 2022	9,510,595	53,704,923	1,587,551	64,803,069
Impairment losses and depreciation at 1 January 2022	596,501	14,091,309	809,199	15,497,009
Depreciation	199,123	5,087,407	213,907	5,500,437
Reversal of accumulated depreciation and impairment of assets disposed	0	-35,000	0	-35,000
Impairment losses and depreciation at 31 December 2022	795,624	19,143,716	1,023,106	20,962,446
Carrying amount at 31 December 2022	8,714,971	34,561,207	564,445	43,840,623
Depreciated over	25 years	10 years	5 years	

Note 9 provides more details on security for loans, etc. as regards property, plant and equipment.

8 Non-current liabilities other than provisions

Of the long-term liabilities, TDKK 3.293 falls due for payment after more than 5 years after the balance sheet date.

9 Collateral

As security for the Company's debt to banks, the Company has registered a corporate mortgage of TDKK 2.000 with security in:

Receivables (carrying amount: TDKK 13.759)

Inventory (carrying amount: TDKK 5.679)

Fixtures and fitting, other plant and equipment (carrying amount: TDKK 564)

As security for the Company's debt to mortgage credit institusions, the Company has registered mortgage debt of TDKK 4.813 with security in Land and building (carrying amount: TDKK 8.715)

10 Related parties

Information about consolidated financial statements

Parent	Domicile
Ovivo Inc	1010 Sherbrooke West Montreal, Quebec, Canada