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Octarine Bio ApS

Annual report for the period
1 January to 31 December 2023

(5th Financial year)

Lersø Parkallé 42, 1
2100 København Ø
CVR no. 39 85 73 16

Adopted at the annual general meeting on 17
June 2024

Stephan Christgau
chairman



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Statement by management on the annual report

The Board of Directors and the Executive board have today discussed and approved the annual report of Octarine Bio ApS for the financial year 1 January - 31 December 2023.

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 company's financial position at 31 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 29 May 2024

Executive Board

Nethaji Janeshawari Gallage
CEO

Nicholas Stuart William Milne
director

Board of Directors

Stephan Christgau
chairman

Alexandre Ouimet-Storrs

Helga Claudia Blomgren-Hansen

Akshat Kshetrapal

Nethaji Janeshawari Gallage



Independent auditor's report

To the management of Octarine Bio ApS

Opinion

We have audited the financial statements of Octarine Bio ApS for the financial year 1 January - 31 December 2023, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 December 2023 and of the results of the company's operations for the financial year 1 January - 31 December 2023 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 the 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 auditor's report

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.
- 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.



Independent auditor's report

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.

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 Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 29 May 2024

Ri Statsautoriseret Revisionspartnerselskab
CVR no. 44 52 80 45

Joachim Munch
State Authorized Public Accountant
mne42244



Company details

The company

Octarine Bio ApS
Lersø Parkallé 42, 1
2100 København Ø

Website: www.octarinebio.com

CVR no.: 39 85 73 16

Reporting period: 1 January - 31 December 2023

Incorporated: 12 September 2018

Domicile: Copenhagen

Board of Directors

Stephan Christgau, chairman
Alexandre Ouimet-Storrs
Helga Claudia Blomgren-Hansen
Akshat Kshetrapal
Nethaji Janeshawari Gallage

Executive Board

Nethaji Janeshawari Gallage
Nicholas Stuart William Milne

Auditors

Ri Statsautoriseret Revisionspartnerselskab
Skagensgade 1
2630 Taastrup



Management's review

Business review

Octarine Bio is a world leading synthetic biology platform with a core mission to drive bio-based, sustainable solutions to address the most pressing planetary issues through innovation and exploration.

Octarine was founded in 2018, based on foundational research conducted at the at The University of Copenhagen and at The Technical University of Denmark. Grounded in a robust scientific foundation and unrivalled expertise in cell factory engineering, precision fermentation and enzymatic enhancement, we proudly unveil world-leading synthetic biology platforms, poised to transform entire industries for the betterment of society and the planet. Our core program focuses on developing a new class of bio-based colorants to improve the environmental footprint of the textiles industry.

Textiles and clothing are an important multi-trillion industry with high levels of employment and a turnover of €162 billion in Europe. The industry is also a substantial contributor to employment in developing countries across the globe. Global demand for clothing is projected to increase significantly over the coming decade, as more than 8 billion people continue to consume increasing amounts of apparel. The wet processing (textile dyeing) stage is a hotspot for negative impacts on climate, human health and ecosystem quality, which highlights the urgent need for radical and sustainable colour solutions. Octarine produces a range of natural dyes in difficult to source colours with significantly reduced environmental impact, and further, through an innovative dyeing process, efficiently dyes a range of natural and synthetic fabrics directly without the use of mordants or other harmful chemical additives.

During 2023, we have shown further progress throughout the R&D pipeline and were focused on OB-CLRTM - a new class of natural colors that are each vibrant, intensely colored molecules in highly sought after and difficult to source colors (purple, pink, dark blue, dark green).

OB-CLRTM Octarine has swiftly generated major interest for the CLR program from many companies across industries. Our primary segment of interest is textiles for fashion, in particular clothing. Within this segment, we have had discussions with and introduced our technology to over 20 companies. Approximately half of these companies are globally leading fashion brands while others are leading dye houses/ garment producers across the globe. Outside of the textile and fabric industry, Octarine's dye has the potential to be utilized in paints and inks (e.g., pens and digital printing), on non-textile materials, in cosmetics, and in food and beverage. We are in discussions with large companies within these industries as well and success with any of these players could result in a significant revenue upside for Octarine. Octarine is currently negotiating commercial terms under LoI with handful of selected commercial partners.

Financial review

The company's income statement for the year ended 31 December 2023 shows a loss of DKK 19,292,175, and the balance sheet at 31 December 2023 shows negative equity of DKK 22,437,015.



Management's review

Management considers the financial performance in the year satisfactory and in line with the budget and strategic directions.

Financing

During 2023 both existing and new investors injected further capital into Octarine Bio through the issuance of convertible debt.

Our budget for 2024 shows funding needs that are below cash and net working capital position as of 31 December 2023. During the first quarter of 2024 we have received further funding from investors ensuring operating activities well into 2025. Furthermore, commercial traction around the OB-CLRTM program and growing continuous interest from investors lead us to assume that Octarine will be able to secure sufficient investments to power growth of the company beyond 2025.

Based on this, it is Management's assessment that the Annual Report may be presented under the going concern assumption.

Significant events occurring after the end of the financial year

No events - other than the events mentioned above - have occurred after the balance sheet date which could significantly affect the company's financial position.



Accounting policies

The annual report of Octarine Bio ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B and the Accounting Standard on small enterprises, as well as provisions applying to reporting class C entities.

The accounting policies applied are consistent with those of last year.

The annual report for 2023 is presented in DKK.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Public grants

Grants for research and development costs which are recognised directly in the income statement are recognised as other operating income in step with the costs to which the grants relate being incurred.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, production costs and other operating income.



Accounting policies

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only when they are not expected to be repaid.

Administrative costs

Administrative costs comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

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

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise the year's depreciation, amortisation and impairment of intangible assets and property, plant and equipment.

Research and development costs

Research costs comprises costs not satisfying the criteria for capitalisation. Research costs comprise salaries, patent costs, consultancy fee and clinical trial costs etc.

Development costs comprise costs relating to development projects that do not qualify for recognition in the balance sheet and amortisation of recognised development projects.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions etc.



Accounting policies

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Tax of the year includes tax credit for costs incurred in connection with research and development activities under the Danish Credit Regime.

Balance sheet

Intangible assets

Patents and licences

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence, however not more than 8 years.

Gains and losses on the disposal of patents and licences are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

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

Assets costing less than DKK 32,000 are expensed in the year of acquisition.



Accounting policies

Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Other investments

Deposits are measured at cost.

Impairment of fixed assets

The carrying amount of intangible assets, items of property, plant and equipment and investments in subsidiaries, associates and participating interests is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.



Accounting policies

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.



Income statement 1 January 2023 - 31 December 2023

	Note	2023 DKK	2022 DKK
Gross profit		1,089,445	1,378,113
Research and development costs		-21,259,337	-10,616,813
Administrative costs		<u>-1,680,896</u>	<u>-1,583,095</u>
Profit/loss before financial income and expenses		-21,850,788	-10,821,795
Financial income		221,403	0
Financial costs		<u>-2,207,228</u>	<u>-926,861</u>
Profit/loss before tax		-23,836,613	-11,748,656
Tax on profit/loss for the year	3	<u>4,544,438</u>	<u>2,077,281</u>
Net profit/loss for the year		<u>-19,292,175</u>	<u>-9,671,375</u>
Retained earnings		<u>-19,292,175</u>	<u>-9,671,375</u>
		<u>-19,292,175</u>	<u>-9,671,375</u>



Balance sheet at 31 December 2023

	Note	2023 DKK	2022 DKK
Assets			
Acquired licenses		<u>0</u>	<u>131,034</u>
Intangible assets	4	<u>0</u>	<u>131,034</u>
Other fixtures and fittings, tools and equipment	5	922,748	1,201,137
Leasehold improvements	5	<u>597,703</u>	<u>769,476</u>
Tangible assets		<u>1,520,451</u>	<u>1,970,613</u>
Deposits		<u>676,349</u>	<u>621,316</u>
Fixed asset investments		<u>676,349</u>	<u>621,316</u>
Total non-current assets		<u>2,196,800</u>	<u>2,722,963</u>
Trade receivables		0	205,923
Other receivables		126,589	362,774
Corporation tax		4,556,620	2,089,466
VAT and duties receivables		582,949	673,071
Prepayments		<u>7,270,823</u>	<u>0</u>
Receivables		<u>12,536,981</u>	<u>3,331,234</u>
Cash at bank and in hand		<u>20,055,703</u>	<u>9,285,855</u>
Total current assets		<u>32,592,684</u>	<u>12,617,089</u>
Total assets		<u><u>34,789,484</u></u>	<u><u>15,340,052</u></u>



Balance sheet at 31 December 2023

	Note	2023 DKK	2022 DKK
Equity and liabilities			
Share capital		57,167	57,167
Retained earnings		-22,494,182	-3,202,008
Equity		-22,437,015	-3,144,841
Convertible and profit-yielding instruments of debt		3,428,090	3,176,487
Deposits		0	300,000
Total non-current liabilities	6	3,428,090	3,476,487
Convertible and profit-yielding instruments of debt	6	52,197,554	14,148,789
Trade payables		981,160	762,252
Other payables		311,162	97,365
Deferred income		308,533	0
Total current liabilities		53,798,409	15,008,406
Total liabilities		57,226,499	18,484,893
Total equity and liabilities		34,789,484	15,340,052



Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2023	57,167	-3,202,007	-3,144,840
Net profit/loss for the year	0	-19,292,175	-19,292,175
Equity at 31 December 2023	<u>57,167</u>	<u>-22,494,182</u>	<u>-22,437,015</u>



Notes

1 Uncertainty about the continued operation (going concern)

During 2023 both existing and new investors injected further capital into Octarine Bio through the issuance of convertible debt.

The Company's budget for 2024 shows funding needs that exceed the Company's cash and net working capital position as of 31 December 2023.

During the first quarter of 2024 we have received further funding from investors ensuring operating activities well into 2025. Furthermore, commercial traction around the OB-CLRTM program and growing continuous interest from investors lead us to assume that Octarine will be able to secure sufficient investments to power growth of the company beyond 2025.

Based on this, it is Management's assessment that the Annual Report may be presented under the going concern assumption.

	2023 DKK	2022 DKK
2 Staff		
Wages and Salaries	5,330,220	5,175,416
Pensions	520,016	425,952
Other social security expenses	40,924	51,210
Other staff expenses	164,946	98,711
	<u>6,056,106</u>	<u>5,751,289</u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Distribution expenses	5,013,409	5,324,077
Administrative expenses	1,042,697	427,212
	<u>6,056,106</u>	<u>5,751,289</u>
Number of fulltime employees on average	<u>9</u>	<u>9</u>



Notes

	2023 DKK	2022 DKK
3 Tax on profit/loss for the year		
Current tax for the year	-4,556,623	-2,077,281
Adjustment of tax concerning previous years	12,185	0
	<u>-4,544,438</u>	<u>-2,077,281</u>
4 Intangible assets		
		<u>Acquired licenses</u>
Cost at 1 January 2023		1,900,000
Disposals for the year		<u>-1,900,000</u>
Impairment losses and amortisation at 1 January 2023		1,768,966
Depreciation for the year		131,034
Reversal of depreciation of sold assets		<u>-1,900,000</u>
Impairment losses and amortisation at 31 December 2023		<u>0</u>
Carrying amount at 31 December 2023		<u>0</u>
5 Tangible assets		
	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>
Cost at 1 January 2023	<u>1,391,948</u>	<u>858,865</u>
Cost at 31 December 2023	<u>1,391,948</u>	<u>858,865</u>
Impairment losses and depreciation at 1 January 2023	190,811	89,389
Depreciation for the year	<u>278,389</u>	<u>171,773</u>
Impairment losses and depreciation at 31 December 2023	<u>469,200</u>	<u>261,162</u>
Carrying amount at 31 December 2023	<u>922,748</u>	<u>597,703</u>



Notes

6 Long term debt

	Debt at 1 January 2023	Debt at 31 December 2023	Instalment next year	Debt outstanding after 5 years
Convertible and profit-yielding instruments of debt	17,325,276	55,625,644	52,197,554	0
Deposits	300,000	0	0	0
	<u>17,625,276</u>	<u>55,625,644</u>	<u>52,197,554</u>	<u>0</u>

7 Rent and lease liabilities

	2023 DKK	2022 DKK
Operating lease liabilities, 16 months' notice (28 months)	1,855,537	3,178,490
	<u>1,855,537</u>	<u>3,178,490</u>

8 Contingent liabilities

Other contingent liabilities not recognised in balance sheet

The company has no contingent liabilities.