

Blue Cell Therapeutics ApS

Ole Maaløes Vej 3, 2200 København N

Company reg. no. 39 98 16 10

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 14 June 2023.

Michael Ulveman
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the board of directors and the managing director have presented the annual report of Blue Cell Therapeutics ApS for the financial year 1 January - 31 December 2022.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2022 and of the company's results of activities in the financial year 1 January – 31 December 2022.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

København N, 16 May 2023

Managing Director

Søren Paludan Sheikh

Board of directors

Michael Ulveman

Søren Paludan Sheikh

Ole Vahlgren

Independent auditor's report

To the Shareholders of Blue Cell Therapeutics ApS

Opinion

We have audited the financial statements of Blue Cell Therapeutics ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. 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 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 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 16 May 2023

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Claus Carlsen

State Authorised Public Accountant
mne23451

Company information

The company

Blue Cell Therapeutics ApS
Ole Maaløes Vej 3
2200 København N

Company reg. no. 39 98 16 10

Financial year: 1 January 2022 - 31 December 2022

Board of directors

Michael Ulveman
Søren Paludan Sheikh
Ole Vahlgren

Managing Director

Søren Paludan Sheikh

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Management's review

Description of key activities of the company

The principal activities of the company are to develop novel stem cell therapies to treat chronic diseases including erectile dysfunction.

There is a large unmet clinical need for stem cell treatment of chronic diseases, however stem cell populations including Adipose Derived Regenerative Cells (ADRCs) are heterogenous and our understanding of their in vivo origin and properties is incomplete. Stem cell treatments hold the promise of modifying or even curing diseases, however the current regulatory environment need strong data for approval.

In previous academic phase 1 trials, we have found that a single injection of the patients own ADRCs reversed erectile dysfunction in men. We have achieved a scientific breakthrough, and now have a new method for cell culturing of ADRC's, so we can get more than 100.000 doses from one donor. In addition, we are filing a new patent to protect this method. We are now ready for producing these cells at GMP conditions (Good Methodological Practice), transfer them from 2D to 3D culture, collect the required quality control data, perform a toxicology study in rodents and apply for permission to perform a regulatory phase I/II trial with our cultured lead cells.

Our mission is to translate knowledge from basic science and animal experiments into novel treatments for chronic diseases including erectile dysfunction using our cultured stem cells with angiogenic and regenerative properties. Our goal is to introduce Blue Cell treatment for Erectile Dysfunction (ED) as the gold standard in hospitals and clinics to make the treatments available to patients worldwide. We have taken a large step towards delivering an 'over-the-counter' stem cell therapy product for erectile dysfunction.

Development in activities and financial matters

Development in activities and financial matters The gross profit for the year totals DKK 852.000 against DKK -844.000 last year. Income or loss from ordinary activities after tax totals DKK -12.570.000 against DKK -14.241.000 last year. Management considers the net loss for the year as expected.

Treasury shares

Treasury shares The enterprise's holding of treasury shares is 1.480,38 shares at DKK 0,01 each, corresponding to 3,70 % of the contributed capital. Blue Cell Therapeutics ApS · Annual report 2022 6 DR

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Gross profit	852.135	-843.696
1 Staff costs	-11.642.950	-8.474.463
Depreciation and impairment of property, land, and equipment	-273.581	-218.680
Research and development costs	-3.735.733	-5.845.133
Profit before net financials	-14.800.129	-15.381.972
Other financial costs	-64.462	-51.455
Pre-tax net profit or loss	-14.864.591	-15.433.427
Tax on net profit or loss for the year	2.294.630	1.192.019
Net profit or loss for the year	-12.569.961	-14.241.408
Proposed distribution of net profit:		
Allocated from retained earnings	-12.569.961	-14.241.408
Total allocations and transfers	-12.569.961	-14.241.408

Balance sheet at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2022</u>	<u>2021</u>
Non-current assets		
Other fixtures and fittings, tools and equipment	328.482	602.063
Total property, plant, and equipment	328.482	602.063
Deposits	103.800	56.238
Total investments	103.800	56.238
Total non-current assets	432.282	658.301
Current assets		
Trade receivables	138.843	0
Income tax receivables	4.451.649	2.157.019
Other receivables	1.477.855	576.137
Prepayments	118.650	6.461
Total receivables	6.186.997	2.739.617
Cash on hand and demand deposits	4.005.382	10.606.823
Total current assets	10.192.379	13.346.440
Total assets	10.624.661	14.004.741

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities		<u>2022</u>	<u>2021</u>
<u>Note</u>			
Equity			
Contributed capital		43.133	40.000
Retained earnings		9.868.120	12.441.214
Total equity		<u>9.911.253</u>	<u>12.481.214</u>
Liabilities other than provisions			
Trade payables		327.893	885.332
Other payables		385.515	638.195
Total short term liabilities other than provisions		<u>713.408</u>	<u>1.523.527</u>
Total liabilities other than provisions		<u>713.408</u>	<u>1.523.527</u>
Total equity and liabilities		<u>10.624.661</u>	<u>14.004.741</u>

2 Contingencies

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2022	40.000	0	12.441.214	12.481.214
Cash capital increase	3.133	9.996.867	0	10.000.000
Retained earnings for the year	0	0	-12.569.961	-12.569.961
Transferred to retained earnings	0	-9.996.867	9.996.867	0
	<u>43.133</u>	<u>0</u>	<u>9.868.120</u>	<u>9.911.253</u>

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
1. Staff costs		
Salaries and wages	9.731.109	6.823.274
Pension costs	1.836.083	1.606.472
Other costs for social security	45.897	23.005
Other staff costs	29.861	21.712
	<u>11.642.950</u>	<u>8.474.463</u>
Average number of employees	<u>12</u>	<u>7</u>

2. Contingencies

Contingent liabilities

Joint taxation

With Spsheikh Holding ApS, company reg. no 40297448 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Blue Cell Therapeutics ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross profit

Gross profit comprises the revenue, the cost of sales and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Grants

Research and development projects

The subsidies are recognised in the income statement in tandem with eligibility for the subsidy being achieved. Until the subsidy has been paid, which occurs regularly over the financial year, the subsidy is recognised under other receivables in the statement of financial position.

Other external costs comprise costs incurred for sales, advertising, administration and premises.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Share-based payment

Accounting policies

The company has set up incentive programmes intended to motivate and retain directors and management employees. Furthermore, the implemented incentive programmes are designed to ensure a coincidence of employee and shareholder interests.

Share-based incentive programmes where employees can solely opt to buy shares in the parent company (equity-settled share-based payment transactions) are measured at the fair value of the equity instruments at the time of granting and recognised in the income statement under staff costs under the respective functions, allocated over the vesting period. The corresponding counter entry is recognised in the shareholders' equity. Fair value at the time of granting is calculated on the basis of the Black-Scholes model.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Research and development costs

Research and development costs comprise costs, salaries, and wages and depreciation directly or indirectly attributable to the company's research and development activities.

Research costs are recognised in the income statement in the year incurred. Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. Furthermore, there must be a proven correlation between the costs incurred and future earnings. However, lack of official approvals, customer approvals, and other uncertainties will often imply that the requirements for recognition as assets are not met and that development costs are charged to the income statement as incurred.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies

Statement of financial position

Property, plant, and equipment

Plant, and equipment are measured at cost less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounting policies

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

According to the rules of joint taxation, Blue Cell Therapeutics ApS is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Accounting policies

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers and other payables are measured at amortised cost which usually corresponds to the nominal value.

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Søren Paludan Sheikh

Direktør

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Søren Paludan Sheikh

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Michael Ulveman

Bestyrelsesmedlem

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Ole Vahlgren

Bestyrelsesmedlem

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Claus Carlsen

Statsautoriseret revisor

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Michael Ulveman

Dirigent

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