

Algiecel ApS

Helgavej 26, 5230 Odense M
CVR no. 42 39 44 16

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 21.05.24

Tina Moe
Dirigent

| | |
|--|---------|
| Company information etc. | 3 |
| Statement by the Executive Board and Board of Directors on the annual report | 4 |
| Independent auditor's report | 5 - 7 |
| Management's review | 8 - 10 |
| Income statement | 11 |
| Balance sheet | 12 - 13 |
| Statement of changes in equity | 14 |
| Notes | 15 - 21 |

The company

Algiecel ApS
Helgavej 26
5230 Odense M
Registered office: Odense
CVR no.: 42 39 44 16
Financial year: 01.01 - 31.12

Executive Board

Henrik Busch-Larsen

Board of Directors

Chairman Tina Moe
Jeppe Høier
Martin Lavesen
Henrik Busch-Larsen
Merete Lundbye Møller

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Algiecel ApS.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Odense, May 1, 2024

Executive Board

Henrik Busch-Larsen

Board of Directors

Tina Moe
Chairman

Jeppe Høier

Martin Lavesen

Henrik Busch-Larsen

Merete Lundbye Møller

To the shareholders of Algiecel ApS**Opinion**

We have audited the financial statements of Algiecel ApS for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant 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 company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 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.

Material uncertainty regarding going concern

We draw the attention to the information in note 1 in which management accounts for the material uncertainty which exists regarding to the company's ability to continue as a going concern as it is still uncertain whether the company will be secured necessary new funding. Management deems that the funding will be secured before end-June 2024 and thus present the financial statements under the going concern assumption. We agree with management as to the description of uncertainties and the choice of accounting policies. Our opinion is not modified in respect of this matter.

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, it is 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 the 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 the management's review.

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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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.

Vejle, May 1, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Jonas Kirk Kristiansen
State Authorized Public Accountant
MNE-no. mne35475

Primary activities

ALGIECEL's aspiration is to develop and produce tomorrow's sustainable low-footprint natural ingredients using CO₂ as the main feedstock. The natural ingredient products have, in addition to strong functional values, a low-footprint and consequently support ALGIECEL's customers in decarbonising their products and supply chain.

In order to produce its natural ingredients ALGIECEL is developing a unique high-yielding production technology – a so-called photobioreactor – which is scalable, mobile and highly compact. The production process in the photobioreactor is based on nature's own photosynthesis process (CO₂ & light) and a microalgae to convert CO₂ into algae-based natural ingredient products such as high-quality biomass and bio-oil. These products can be sold for application within the feed, food and cosmetics industries.

ALGIECEL's high-quality ingredient products which are rich in protein and fatty acids, including omega-3 (EPA), can replace less sustainable ingredients applied by ALGIECEL's customers in their product applications today. ALGIECEL's products have a substantially lower footprint in terms of CO₂, land and water usage and in this way ALGIECEL can support its customers' ambitions to secure a more sustainable supply chain and products. Many of these customers already have or intend to have validated action plans according to the Science Based Targets initiative (SBTi) and ALGIECEL can provide quality products that at the same time support customers on these action plans.

The production technology in the form of photobioreactors are high-yielding and designed to fit into standard containers and are hence scalable and mobile and can be placed next to the CO₂ point emission at an industrial facility to utilise the CO₂ instead of it being emitted. The photobioreactor production plants can easily be scaled by adding more photobioreactors based on the industrial plant's CO₂ emission volume. ALGIECEL's production plants are therefore placed decentrally at the CO₂ emitting industrial plant.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK -11,088,649 against DKK -6,697,004 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK -7,127,558.

For 2023 we planned for several important milestones to be achieved and during the year we delivered on our ambitions, and on some milestones we were ahead of our planning. In terms of commercial development, we continued to see strong interest from future potential customers and secured several new letters of intent and further to this we engaged in application trials together with customers within our core application segments feed, food and cosmetics. Regarding the supply of CO₂ feedstock we also signed new letters of intent with potential suppliers thus confirming the interest in our technology and our ability to secure the CO₂ feedstock needed for production of our natural ingredients. This means that

we are well on track to deliver on our first commercial deployment plans.

Additionally, we continued operating and developing our pilot photobioreactor technology in Taastrup, Denmark. The productivity of the photobioreactor continued to show an increasing cell concentration level over each production campaign and ending well-above our targets for the year. During the year we also initiated the planned work of designing the full-scale demonstration project to be placed on-site at Novonosis' plant in Kalundborg, Denmark. For this full-scale demonstration project the consortium project partners comprising ALGIECEL, Novonosis, DTU Chemical Engineering, Knowledge Hub Zealand and Power to Climate Change obtained a grant totaling DKK 18 million from EUDP (The Energy Technology Development and Demonstration Programme). Besides this new technology patent applications were filed and are pending.

With respect to funding the continued commercial and technological developments ALGIECEL managed to attract funding during 2023 totaling DKK 27 million partly through a convertible loan note from The Export and Investment Fund of Denmark (EIFO) as well as through equity injections and grants. The grant funding to ALGIECEL totaled approximately DKK 17 million of the total funding amount and was partially received during 2023 while other parts of this amount will be reimbursed in subsequent years. Out of the total grant funding the grant from EUDP makes up the predominate part. The grant amounts were received for future product development as well as technology development projects from among others grant providers EUDP and Horizon Europe.

Towards the end of the year ALGIECEL was the proud receiver of the '2023 Capgemini Nordic Sustainability Tech Award for Denmark'. The award to ALGIECEL was in recognition of innovative Nordic solutions that limit the environmental and societal impact of climate change.

Looking into 2024 will keep developing ALGIECEL towards:

- Agreements with potential off-taker customers and expand the application trials to bring ALGIECEL even closer to commercialisation.
- Plan for commercial projects in collaboration with the CO₂ feedstock suppliers.
- Finalising the detailed engineering on the full-scale demonstration project and initiate construction of the full-scale photobioreactor.
- Development on the pilot technology to demonstrate further increases in the cell concentration level towards our productivity target. When the target is reached in one layer of pipes, it will be copy paste to increase the production volume into a full-scale photobioreactor.

In addition to the above ALGIECEL will work on securing further funding for its future developments to realise the commercialisation ambitions of developing and producing tomorrow's sustainable low-footprint natural ingredients.

Significant uncertainty as regards going concern

The company's liquidity budget shows a need for additional cash to fund the operations from July 2024. The management of Algiecel ApS has entered into agreement with Westhill Capital in London regarding a imminent funding round. The management expects that the company will be secured new funding before end-June 2024 and thus presents the financial statements under the going concern assumption

Subsequent events

After the balance sheet date, the company has increased its capital resulting in contributing cash of DKK 2.5 million.

Income statement

| Note | 2023 DKK | 2022 DKK |
|--|--------------------|-------------------|
| Gross loss | -3,489,923 | -6,188,973 |
| 3 Staff costs | -7,494,563 | -2,797,802 |
| Loss before depreciation, amortisation, write-downs and impairment losses | -10,984,486 | -8,986,775 |
| Financial income | 25,287 | 320 |
| Financial expenses | -551,384 | -179,092 |
| Loss before tax | -11,510,583 | -9,165,547 |
| Tax on loss for the year | 421,934 | 2,468,543 |
| Loss for the year | -11,088,649 | -6,697,004 |
| Proposed appropriation account | | |
| Retained earnings | -11,088,649 | -6,697,004 |
| Total | -11,088,649 | -6,697,004 |

| ASSETS | | 31.12.23 | 31.12.22 |
|---------------|---------------------------------|------------------|------------------|
| | | DKK | DKK |
| Note | | | |
| | Deposits | 27,366 | 8,200 |
| | Total investments | 27,366 | 8,200 |
| | Total non-current assets | 27,366 | 8,200 |
| | Deferred tax asset | 0 | 1,072,356 |
| | Income tax receivable | 1,494,290 | 1,520,993 |
| | Other receivables | 574,899 | 182,528 |
| | Prepayments | 40,087 | 7,083 |
| | Total receivables | 2,109,276 | 2,782,960 |
| | Cash | 3,563,269 | 2,853,866 |
| | Total current assets | 5,672,545 | 5,636,826 |
| | Total assets | 5,699,911 | 5,645,026 |

| EQUITY AND LIABILITIES | | 31.12.23 | 31.12.22 |
|-------------------------------|---|-------------------|-------------------|
| | | DKK | DKK |
| Note | | | |
| | Contributed capital | 961,946 | 845,484 |
| | Retained earnings | -8,089,504 | -2,225,016 |
| | Total equity | -7,127,558 | -1,379,532 |
| 4 | Convertible and profit-sharing debt instruments | 9,619,237 | 4,100,603 |
| | Total long-term payables | 9,619,237 | 4,100,603 |
| | Trade payables | 402,237 | 332,459 |
| | Payables to group enterprises | 199,068 | 2,128,293 |
| | Other payables | 1,047,197 | 463,203 |
| | Deferred income | 1,559,730 | 0 |
| | Total short-term payables | 3,208,232 | 2,923,955 |
| | Total payables | 12,827,469 | 7,024,558 |
| | Total equity and liabilities | 5,699,911 | 5,645,026 |

5 Contingent liabilities

6 Charges and security

Statement of changes in equity

| Figures in DKK | Contributed capital | Retained earnings | Total equity |
|---|------------------------|----------------------|--------------|
| Statement of changes in equity for 01.01.23 - 31.12.23 | | | |
| Balance as at 01.01.23 | 845,484 | -2,225,016 | -1,379,532 |
| Capital increase | 116,462 | 5,224,161 | 5,340,623 |
| Net profit/loss for the year | 0 | -11,088,649 | -11,088,649 |
| Balance as at 31.12.23 | 961,946 | -8,089,504 | -7,127,558 |

1. Significant uncertainty as regards going concern

The company's liquidity budget shows a need for additional cash to fund the operations from July 2024. The management of Algiecel ApS has entered into agreement with Westhill Capital in London regarding a imminent funding round. The management expects that the company will be secured new funding before end-June 2024 and thus presents the financial statements under the going concern assumption.

2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

| Special items: | Recognised in the income statement in: | 2023 DKK | 2022 DKK |
|----------------|--|-------------|-------------|
| Public grants | Other operating income | 1,346,950 | 400,000 |

3. Staff costs

| | | |
|---|------------------|------------------|
| Wages and salaries | 6,260,405 | 2,692,054 |
| Pensions | 547,095 | 0 |
| Other social security costs | 26,413 | 13,822 |
| Other staff costs | 660,650 | 91,926 |
| Total | 7,494,563 | 2,797,802 |
| Average number of employees during the year | 8 | 4 |

4. Long-term payables

| Figures in DKK | Total payables at 31.12.23 |
|---|-------------------------------|
| Convertible and profit-sharing debt instruments | 9,619,237 |
| Total | 9,619,237 |

The company has raised loans of DKK 9.000.000 in return for the issue of convertible debt instruments which entitle the lender to convert the loan into shares in the company in certain circumstances at a non fixed conversion price per share equal to the price per share paid by bona fide third parties less a discount of 0-30%. The maximum number of shares into which the debt can be converted is not fixed. The right of conversion expires when the loan is repaid. The loan falls due for payment in 2025 and 2026.

5. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 2-3 months and average lease payments of DKK 4k-15k, total lease payments of DKK 42k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

6. Charges and security

The company has not provided any security over assets.

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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 depreciation, amortisation, impairment losses and write-downs, 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 such assets 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 such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

7. Accounting policies - continued -**INCOME STATEMENT****Gross loss**

Gross loss comprises other operating income and cost of sales and other external expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

7. Accounting policies - continued -

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

7. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

7. Accounting policies - continued -

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.