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River Stone Biotech ApS

Annual report for the period
1 January to 31 December 2022

(5th Financial year)

Fruebjergvej 3
2100 København Ø
CVR no. 39 12 67 29

Adopted at the annual general meeting on 14
July 2023

Jørgen Hansen
chairman



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Statement by management on the annual report

The Board of Directors and Executive Board have today discussed and approved the annual report of River Stone Biotech ApS 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 company's financial position at 31 December 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

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, 14 July 2023

Executive Board

Jørgen Hansen
CEO

Board of Directors

Paul D. Goldenheim
chairman

Jørgen Hansen



Independent auditor's report

To the management of River Stone Biotech ApS

Opinion

We have audited the financial statements of River Stone Biotech ApS for the financial year 1 January - 31 December 2022, 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 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' 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, 14 July 2023

Ri Statsautoriseret Revisionsaktieselskab
CVR no. 53 37 19 14

Joachim Munch
State Authorized Public Accountant
MNE no. mne42244



Company details

The company

River Stone Biotech ApS
Fruebjergvej 3
2100 København Ø

Website: <https://riverstonebio.com/>

CVR no.: 39 12 67 29

Reporting period: 1 January - 31 December 2022

Incorporated: 30 November 2017

Domicile: Copenhagen

Board of Directors

Paul D. Goldenheim, chairman
Jørgen Hansen

Executive Board

Jørgen Hansen

Auditors

Ri Statsautoriseret Revisionsaktieselskab
Skagensgade 1
2630 Taastrup



Management's review

Business review

River Stone is an synthetic biology company. Synthetic Biology is disrupting multiple industries, including pharma. The massive advances in synthetic biology over the past decade mean that creating and producing active pharmaceutical ingredients using biological approaches is cheaper, faster, more diverse, and more scalable than ever before.

Financial review

The company's income statement for the year ended 31 December 2022 shows a loss of DKK 52,037,040, and the balance sheet at 31 December 2022 shows equity of DKK 10,693,389.

Management considers the Company's financial performance in the year satisfactory and in line with the strategic directions.

Financing

The Company's budget for 2023 shows funding needs that exceed the Company's cash and net working capital position at 31 December 2022. Thus, the Company's ability to finance its operation activities in 2023 is guaranteed by a letter of financial support from the Parent Company.

In 2022, the parent company have converted debt, totalling 72,5 mio DKK to equity. If needed the parent company intend to convert further debt into equity in 2023.

In the event the Company is not able to secure additional funding, Management is able to reduce operational activities and maintain the Company as going concern until the end of 2023.

Reference is made to note 1 for further details.

Significant events occurring after the end of the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.



Accounting policies

The annual report of River Stone Biotech ApS for 2022 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 2022 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 public grants, gains on the sale of intangible assets and 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.

Administration 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.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation 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 fees, 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 Tax 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 20 years.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3 - 5 years

Assets costing less than DKK 31,000 are expensed in the year of acquisition.

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.



Accounting policies

Fixed asset investments

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries, associates and participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

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 2022 - 31 December 2022

	Note	2022 DKK	2021 DKK
Gross profit		7,307,696	7,825,235
Research and development costs		-63,414,340	-27,164,539
Administration costs		<u>-827,958</u>	<u>-1,178,147</u>
Operating profit/loss		-56,934,602	-20,517,451
Profit/loss before financial income and expenses		-56,934,602	-20,517,451
Financial income	3	450,824	0
Impairment losses on financial assets		0	-2,539,994
Financial costs	4	<u>-1,348,885</u>	<u>-370,365</u>
Profit/loss before tax		-57,832,663	-23,427,810
Tax on profit/loss for the year	5	<u>5,795,623</u>	<u>4,634,831</u>
Net profit/loss for the year		<u>-52,037,040</u>	<u>-18,792,979</u>
Proposed distribution of profit			
Retained earnings		<u>-52,037,040</u>	<u>-18,792,979</u>
		<u>-52,037,040</u>	<u>-18,792,979</u>



Balance sheet at 31 December 2022

	Note	2022 DKK	2021 DKK
Assets			
Other fixtures and fittings, tools and equipment	6	<u>2,675,358</u>	<u>2,949,383</u>
Tangible assets		<u>2,675,358</u>	<u>2,949,383</u>
Investments in associates		1,900,250	1,900,250
Deposits		<u>563,823</u>	<u>439,352</u>
Fixed asset investments		<u>2,464,073</u>	<u>2,339,602</u>
Total non-current assets		<u>5,139,431</u>	<u>5,288,985</u>
Trade receivables		6,832,139	5,927,437
Other receivables		1,019,250	1,018,270
Corporation tax		5,500,000	4,634,831
Prepayments		<u>210,329</u>	<u>27,374</u>
Receivables		<u>13,561,718</u>	<u>11,607,912</u>
Cash at bank and in hand		<u>6,232,948</u>	<u>1,730,645</u>
Total current assets		<u>19,794,666</u>	<u>13,338,557</u>
Total assets		<u>24,934,097</u>	<u>18,627,542</u>



Balance sheet at 31 December 2022

	Note	2022 DKK	2021 DKK
Equity and liabilities			
Share capital		52,000	52,000
Retained earnings		10,641,389	-9,896,634
Equity	7	10,693,389	-9,844,634
Other payables		956,332	936,662
Total non-current liabilities		956,332	936,662
Trade payables		6,856,660	5,428,178
Payables to group enterprises		5,461,740	20,859,989
Other payables		495,265	1,247,347
Deferred income		470,711	0
Total current liabilities		13,284,376	27,535,514
Total liabilities		14,240,708	28,472,176
Total equity and liabilities		24,934,097	18,627,542



Statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2022	52,000	-9,896,634	-9,844,634
Net profit/loss for the year	0	-52,037,040	-52,037,040
Contribution from group	0	72,575,063	72,575,063
Equity at 31 December 2022	<u>52,000</u>	<u>10,641,389</u>	<u>10,693,389</u>



Notes

1 Uncertainty about the continued operation (going concern)

The Company's budget for 2023 shows funding needs that exceed the Company's cash and net working capital position at 31 December 2022.

In connection with the Executive Board's assessment of the assumption of going concern which forms the basis of the preparation of the Financial Statements of River Stone Biotech ApS for 2022, the parent Company has confirmed that they will support River Stone Biotech ApS financially either in the form of a loan or capital injection to the extent necessary to finance River Stone Biotech ApS' operating activities and to settle its financial obligations in 2023. Future loans will not be called unless the liquidity of River Stone Biotech ApS is adequate to justify such repayment.

Management is able to reduce operational activities and maintain the Company as going concern until the end of 2023.

	2022 DKK	2021 DKK
2 Staff		
Wages and Salaries	13,501,610	11,264,069
Pensions	903,654	724,898
Other social security expenses	163,838	128,728
Other staff expenses	389,363	274,356
	<u>14,958,465</u>	<u>12,392,051</u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Research and development costs	<u>14,958,465</u>	<u>12,392,051</u>
	<u>14,958,465</u>	<u>12,392,051</u>
Average number of employees	<u>22</u>	<u>18</u>



Notes

	2022 DKK	2021 DKK
3 Financial income		
Other financial income	332	0
Foreign exchange gain	450,492	0
	<u>450,824</u>	<u>0</u>
4 Financial costs		
Interest paid to group enterprises	1,304,382	311,363
Other financial costs	43,626	30,430
Exchange loss	877	28,572
	<u>1,348,885</u>	<u>370,365</u>
5 Tax on profit/loss for the year		
Current tax for the year	-5,500,000	-4,634,831
Adjustment of tax concerning previous years	-295,623	0
	<u>-5,795,623</u>	<u>-4,634,831</u>



Notes

6 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>
Cost at 1 January 2022	7,160,267
Additions for the year	<u>1,197,043</u>
Cost at 31 December 2022	<u>8,357,310</u>
Impairment losses and depreciation at 1 January 2022	4,210,884
Depreciation for the year	<u>1,471,068</u>
Impairment losses and depreciation at 31 December 2022	<u>5,681,952</u>
Carrying amount at 31 December 2022	<u><u>2,675,358</u></u>

7 Equity

The share capital consists of:

	Nominal value
52,000 shares of DKK 1	<u>52,000</u>
	<u><u>52,000</u></u>

The share capital has developed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	DKK	DKK	DKK	DKK
Share capital at 1 January 2022	52,000	51,000	50,000	0
Additions for the year	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>50,000</u>
Share capital	<u><u>52,000</u></u>	<u><u>52,000</u></u>	<u><u>51,000</u></u>	<u><u>50,000</u></u>



Notes

	2022 DKK	2021 DKK
8 Rent and lease liabilities		
Lease liabilities, 3-6-month period of interminability	<u>518,000</u>	<u>685,000</u>

9 Contingent liabilities

The company has entered a project agreement with Sterling Pharma Solutions, where they are obligated to pay tdkk 33,808 in the period until March, 2025, unless River Stone Biotech cancel the agreement and Sterling Pharma Solutions can re-allocate resources to another (unrelated) project. In that case River Stone's remaining financial obligation would be reduced.

At 31 December 2022, the Company had not other commitments relating to the completion of certain research projects.