

The accountant's compilation report has been issued

Financial statements 2022

Momo Medical B.V.

DELFT

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Balance sheet as at 31 december 2022

After appropriation of results

	2022	2021
	EUR	EUR
Assets		
Non-current assets		
Property, plant and equipment		
Machinery	44,292	13,719
Other tangible assets	784,641	214,361
Total of property, plant and equipment	<u>828,933</u>	<u>228,080</u>
Total of non-current assets	<u>828,933</u>	<u>228,080</u>
Current assets		
Inventories		
Raw materials and consumables	266,885	63,896
Inventories under construction	42,450	25,064
Finished and trade goods	125,005	61,284
Total of inventories	<u>434,340</u>	<u>150,244</u>
Receivables		
Trade receivables	154,329	169,371
Prepayments and accrued income	8,799	505,757
Total of receivables	<u>163,128</u>	<u>675,128</u>
Cash and cash equivalents	<u>22,201</u>	<u>8,066</u>
Total of current assets	<u>619,669</u>	<u>833,438</u>
Total of assets	<u><u>1,448,602</u></u>	<u><u>1,061,518</u></u>

	2022	2021
	EUR	EUR
Equity and liabilities		
Equity		
Share capital paid up and called up	120	120
Share premium	225,000	225,000
Other reserves	(3,572,592)	(2,126,924)
Total of equity	<u>(3,347,472)</u>	<u>(1,901,804)</u>
Non-current liabilities		
Payables relating to taxes and social security contributions	38,286	-
Non-current other payables	822,989	917,906
Total of non-current liabilities	<u>861,275</u>	<u>917,906</u>
Current liabilities		
Advances received	225,586	322,556
Trade payables	60,056	74,636
Payables to other legal entities and companies with a participating interest in the legal entity or to participating interests of the legal entity	3,386,656	1,457,721
Payables relating to taxes and social security contributions		
Value added tax	64,397	36,370
Wage tax	31,670	16,799
Total of payables relating to taxes and social security contributions	<u>96,067</u>	<u>53,169</u>
Repayment obligations of non-current borrowings	49,330	73,248
Current other payables	3,230	821
Accruals and deferred income	113,874	63,265
Total of current liabilities	<u>3,934,799</u>	<u>2,045,416</u>
Total of equity and liabilities	<u><u>1,448,602</u></u>	<u><u>1,061,518</u></u>

Profit and loss account 2022

	2022	2021
	EUR	EUR
Total operating income		
Net revenue	598,589	198,331
Other operating income	-	61,100
Total operating income	<u>598,589</u>	<u>259,431</u>
Operating expenses		
Expenses of employee benefits		
Wages	778,978	316,901
Severance payments	5,340	-
Social security contributions	166,291	87,744
Other employee benefits expenses	170,964	86,948
Total of expenses of employee benefits	<u>1,121,573</u>	<u>491,593</u>
Amortisation of intangible assets and depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	84,937	40,039
Other operating expenses		
Accommodation costs	51,881	31,182
Sales related expenses	304,360	24,880
Car and transport costs	19,646	1,088
Office related expenses	71,091	23,972
General expenses	249,160	194,030
Total of other operating expenses	<u>696,138</u>	<u>275,152</u>
Total of operating expenses	<u>1,902,648</u>	<u>806,784</u>
Operating result	(1,304,059)	(547,353)
Other interest income and related income	-	252
Interest expenses and related expenses	(141,609)	(64,255)
Result before tax	<u>(1,445,668)</u>	<u>(611,356)</u>
Income tax expense	-	-
Result after tax	<u>(1,445,668)</u>	<u>(611,356)</u>

Notes to the financial statements

General notes

Description of the activities of the entity

The main activities of Momo Medical B.V. are developing, producing and selling BedSenses, as well as the import and export of BedSenses and the required materials for this activity.

Entity information

Momo Medical B.V. is a private company. The company has its registered office in DELFT and is listed in the Commercial Register of the Chamber of Commerce under the file number 68346832.

Disclosure of going concern

Consistent with last year our ultimate parent company Momo Medical Group Inc. issued a comfort letter towards Momo Medical Holding BV ensuring ongoing support of the Dutch operation. Next to the above the going-concern paragraph regarding the Momo Medical Group Inc. is relevant for these accounts:

In our 2021 financial statements management declared 2022 and following years to be the phase of GROWTH and indeed it is.

The number of Bedsenses in the field (both in studies and subscriptions) grew explosively from over 1,000 at the end of 2021 to over 5,000 by the end of last year. This growth in the number of Bedsenses in the field also drove the growth in our Monthly Recurring Revenue (MRR) from € 23,609 in December 2021 to €63,968 in December 2022 which is a growth of 270%. The €63,968 MRR translates into a full year revenue of €767,616 which is already 28% above our 2022 revenue of €598,590.

With the growing adoption of the solution and the flow of positive reactions from the users also came an acceleration of the BedSenses in the field through the signing of a number of master contracts with large organizations like ICWB, Mijzo and Pieter van Foreest, in total 3,750 beds. At December 31st 2022 2,152 Bedsenses got installed with these customers under these master contracts. The Bedsenses to be installed under these master contracts plus additional master contracts will further boost the growth of the number of Bedsenses under subscription in 2023. Next to this the team is very pleased with the fact that during 2022 none of the running subscriptions got cancelled by a customer and our customer base grew from 22 end 2021 to 62 end 2022.

In 2022 the team kept the focus on the Dutch home market resulting in the growth mentioned above but in the meantime continued to work on preparing the North American (NA) market for the BedSense solution. Next to North America serious interest for the solution came to the surface out of Germany and we will investigate this market (next to NA) in 2023.

As important as the growth the Momo Medical team has established a proven track record in raising money since last year all of the funding targets mentioned in the 2021 financial statement got realized and even surpassed. In short:

- In total \$1,771,000 in equity got raised by Momo Medical Holding B.V.
- A new investor stepped in
- The bond loan in the NPEX platform of €999,500 got fully subscribed in a record time of just 8 days
- The Rabobank agreed to a roll-over with a sizable expansion of the loan total of €1,000,000
- The Stichting Innovatie Fonds Ouderenzorg (IFOZ) expanded its loan to Momo Medical with €80,000.

With respect to the bond loan with NPEX it's relevant to mention that we received various reactions from disappointed potential investors who were too late to participate in the loan.

In order to facilitate the exponential growth in 2023 we will issue a second bond loan with NPEX in March 2023 which was also part of our funding plan last year. NPEX has already given Momo Medical the go ahead to start the procedure to prepare the listing. With this loan Momo Medical will be able to fund the growth up till the end of 2024. In particular this funding will be used to/in:

- Expand our team both in the area of R&D and in sales
- Fund the safety stock of spare parts to enable continuity in production
- The area of implementation: to fund the fringe items coming with the implementation of the Bedsenses
- Fund the growing stock of BedSenses in the field linked to the growth

All in all management is confident in both the continuation of the growth and the ability to raise a second subsidiary loan with NPEX of €1,750,000. In fact, at the time of preparing the financial statements the actual January MRR came in at € 75,480 which is month over month growth of 18%!

In the situation that the new NPEX subsidiary loan of €1,750,000 is not completed successfully shareholders have committed to invest in Momo Medical up to €1,000,000 which will enable Momo Medical to fund the growth also till the end of 2024 however at a somewhat lower level.

Group relationship

Momo Medical B.V. is part of a group. The head of this group is Momo Medical Group Inc. in Camden, Delaware, United States.

Disclosure of estimates

When applying the accounting principles and rules for preparing the financial statements, management makes various judgments and estimates that may be vital to the amounts recognised in the financial statements. If further explanation is necessary to provide the required insight in accordance with Article 2:362 paragraph 1 of the Dutch Civil Code, the nature of these judgments and estimates, including the corresponding assumptions, is included in the notes to the relevant items of the financial statements.

General accounting principles

Accounting standards used to prepare the financial statements

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and with Dutch Accounting Standards applicable to micro and small entities, as issued by the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving).

Assets and liabilities are generally valued at the cost of acquisition, production cost or at current value at the time of acquisition. If no specific valuation principle has been stated, valuation is at cost of acquisition.

Policy of conversion of amounts denominated in foreign currency

Items included in the financial statements of the company are valued with due regard for the currency in the economic environment in which the company carries out most of its activities (the functional currency).

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge-accounting is applied.

Transactions in foreign currency during the reporting period are recognized in the financial statements at the exchange rates prevailing at the date of the transaction.

Policy of operating leases

The company has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the profit and loss account for the duration of the contract.

Accounting principles

Policy of machinery

Plant and equipment are valued at historical cost plus additional costs or production cost less straight-line depreciation based on the expected useful life and impairments expected. Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

Policy of other property, plant and equipment

Other tangible fixed assets are valued at cost of acquisition or production cost including directly attributable costs, less straight-line depreciation based on the estimated useful life and impairments.

Policy of inventories

Inventories (stocks) are valued at cost price based on the FIFO method or lower realisable value.

The cost price consists of the cost of acquisition or production cost and costs incurred in order to bring the stocks to their current location and current condition. The production cost includes direct labour and fixed and variable production overheads, taking into account the costs of the operations office, the maintenance department and internal logistics.

The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

Policy of receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. Provisions for bad debts are deducted from the carrying amount of the receivable.

Policy of cash

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

Policy of share premium

The share premium originates from overpayments on the nominal value of the shares.

Policy of other reserves

Other reserves are all reserves, except the legal and statutory reserves. Other reserves can freely be distributed to the shareholders.

Policy of non-current liabilities

On initial recognition non-current liabilities are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the non-current liabilities are included in the initial recognition. After initial recognition non-current liabilities are recognised at the amortised cost, being the amount received taking into account premiums or discounts and minus transaction costs. If there is no premium / discount or if there are no transaction costs, the amortised cost is the same as the nominal value of the debt.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the profit and loss account on the basis of the effective interest rate during the estimated term of the non-current liabilities.

Policy of current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Policy of net turnover

Net turnover comprises the income from the supply of goods and services and realised income from construction contracts after deduction of discounts and such like and of taxes levied on the turnover.

Revenues from the goods supplied are recognised in the income statement when all significant risks and rewards in respect of the goods have been transferred to the buyer, the amount of revenue can be reliably measured, and it is probable that the revenue will be received.

Revenue from services rendered are recognised if the result of a transaction relating to a service can be reliably estimated and the revenue is probable to be received. Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Policy of wages and salaries

The benefits payable to personnel are recorded in the profit and loss account on the basis of the employment conditions.

Policy of depreciation of property, plant and equipment

Tangible fixed assets are depreciated from the date of initial use over the estimated useful economic life of the asset. Land and investment properties are not depreciated.

Future depreciation is adjusted if there is a change in estimated future useful life.

Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

Policy of other operating expenses

Costs are taken into account under the historical cost convention and allocated to the financial year concerned.

Policy of financial income and expenses

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

The group as lessor

Under operating leases, the lease income is recognized in the income statement straight line over the term of the lease. Initial direct costs are amortized over the term of the lease against the lease income.

Balance sheet

Receivables

General

Accounts receivable all have a remaining term to maturity of less than one year, unless stated otherwise.

In accordance with law and regulations an amount of approximately € 493,000 has been settled of the balance sheet items trade receivables and advances received.

Equity

Description of the withheld part of the result

The withheld part of the result for the current financial year amounts to € 0.

Non-current liabilities

Maturity of non-current liabilities

The non-current liabilities with a remaining term longer than one year amount to a total of € 671,567. Of the total amount of non-current liabilities an amount of € 309,165 has a remaining duration of longer than 5 years.

Assets and liabilities not recognised in balance sheet

Assets and liabilities not recognised in balance sheet

Momo Medical B.V. has signed a rental agreement with Technostarters Delft Vastgoed B.V. on March 16, 2022. The rental agreement consist of a fixed-term agreement until April 30, 2024 with a termination notice of two months. The yearly costs based on the agreements are €35,000 excluding VAT.

Disclosure of operating leases

Momo Medical B.V. has entered into operating leases for cars as lessee. The face value of the future lease payments is approximately € 103,000 (2021: € -). The average maturity of the operating lease contracts per balance sheet date is 4 years (2021: none).

Description of the off-balance sheet liabilities relating to the fiscal unity

The company forms part of a fiscal unity for corporate income tax purposes of Momo Medical Holding B.V., which makes the group jointly and severally liable for tax liabilities of the fiscal unit.

Other notes

Average number of employees

The average number of employees employed on a full-time basis during the year 2022 was: 24 (2021: 14).

Signing

12-04-2023, Delft