CLINE SCIENTIFIC AB

Company Description

Listing on Nasdaq First North Growth Market

June 2021

IMPORTANT INFORMATION ABOUT NASDAQ FIRST NORTH GROWTH MARKET

Nasdaq First North Growth Market is a registered SME growth market, in accordance with the Directive on Markets in Financial Instruments (EU 2014/65) as implemented in the national legislation of Denmark, Finland and Sweden, operated by an exchange within the Nasdaq group. Issuers on Nasdaq First North Growth Market are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead, they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Growth Market may therefore be higher than investing in an issuer on the main market. All issuers with shares admitted to trading on Nasdaq First North Growth Market have a Certified Adviser who monitors that the rules are followed. The respective Nasdaq exchange approves the application for admission to trading.


Batch 3007

Contents

Key information

Short name:	CLINE B
ISIN:	SE0006758231
Number of shares:	15,452,737 of which 722,333 are series A and 14,730,404 are series B.
Last trading day Spotlight Market:	June 11, 2021
First trading day Nasdaq First North:	June 14, 2021

Current shareholders of the Company do not have to take any measures due to the listing change.

Financial calendar

Interim report January - June 2021	August 27, 2021
Year-end report 2021	February 25, 2022
Annual report 2021	May 2022
Annual General Meeting 2022	June 2022

Important information

This company description (the "**Company Description**") has been prepared by the board of directors in Cline Scientific AB (the "**Board of Directors**") with the purpose to admit the class B shares (the "**Shares**") to trading on Nasdaq First North Growth Market ("**Nasdaq First North**").

"**Cline Scientific**" or the "**Company**" used in the Company Description refers to Cline Scientific AB (publ), corporate registration number 556867-8238. Redeye Aktiebolag ("**Redeye**") has been appointed as Cline Scientific's Certified Adviser.

This Company Description is not a prospectus and has not been approved by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*). The Company Description does not contain any offering of shares or any other offering of financial instrument in the Company in Sweden or in any other jurisdiction.

No measures have been or will be taken in any other jurisdiction than Sweden that would allow the possession and distribution of the Company Description or any other documents pertaining to the Company Description. Applications to acquire shares that violate such rules may be deemed invalid. Persons who come into possession of the Company Description are requested by the Company to inform themselves about and to observe such restrictions and shall not publish or distribute the Company Description in violation of applicable laws and regulations. The Company does not accept any legal responsibility for any violations by any person, whether or not a prospective investor, of any such restrictions.

Cline Scientific's class B shares have not been and will not be registered under the US Securities Act of 1993, as amended or under any relevant securities authority in any state or other jurisdiction in the United States and may not be offered or sold within the United States. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of the Company Description. Any representation to the contrary is a criminal offense in the United States. The Company Description does not constitute an offer to sell, or an invitation to offer to buy, class B shares in any jurisdiction where such an offering is unlawful.

FORWARD-LOOKING STATEMENTS

The Company Description contains certain forward-looking statements which reflects the Board of Directors visions with respect to future events. Words as "expects", "intends", "can", "estimates", "plans" and other expressions which relates to indications of future development and which are not based on historical facts, constitute forward-looking statements. These are by nature associated with both known as well as unknown risks and uncertainties. Actual results could differ materially from those in the Company's forward-looking statements. The forward-looking statements apply only as of the date of publication of the Company Description. The Company does not intend and does not assume any obligation to disclose updates of forward-looking statements beyond what is required according to applicable law.

INFORMATION ABOUT THE MARKET

The Company Description contains information about the geographic markets, market position and other information concerning the Company's industry and markets. Unless stated otherwise, such information is based on the Company's assessment of several different sources, including statistics and information from external industry or market reports, market surveys, and other publicly available information. Information from third parties has been accurately reproduced, and as far as Cline Scientific is aware, no information has otherwise been omitted that could render the reproduced information inaccurate or misleading. Third-party information has not been verified by the Company. Potential investors should be aware that market information by nature are subject to uncertainty.

FINANCIAL INFORMATION

Financial information is presented in Swedish krona ("**SEK**"), unless stated otherwise. "**TSEK**" refers to thousands of Swedish kronor and "**MSEK**" refers to millions of Swedish kronor. Certain information has been rounded to make the information easily comprehensible to the reader. Accordingly, the figures contained in certain columns may not tally with the total amount specified. Financial information which does not originate from the audited annual financial report, has been retrieved from the Company's internal accounting systems.

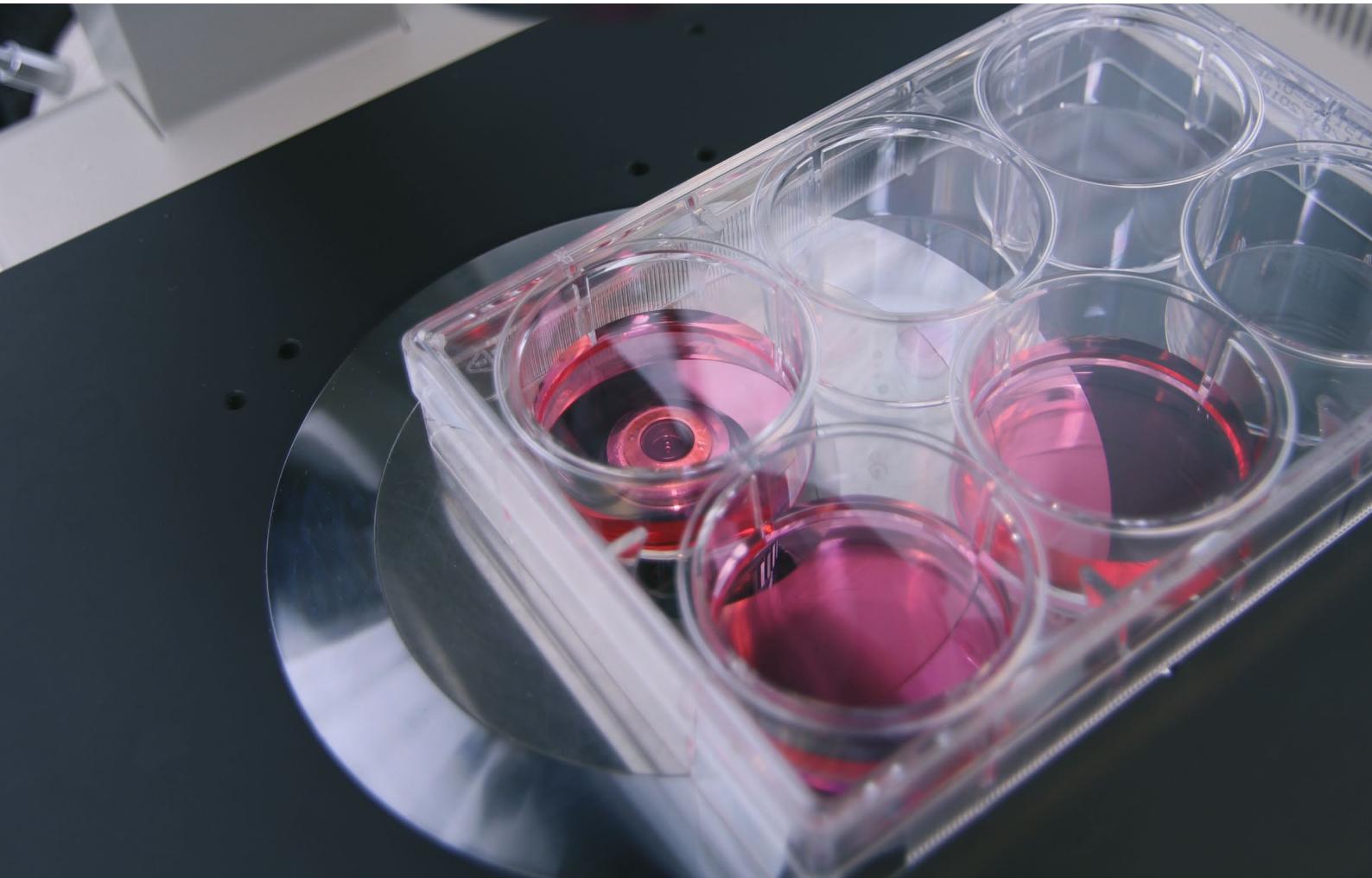
DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference and should be read as part of the Company Description:

- Annual financial report 2018 (page 6 - 14, 16 - 17)
- Annual financial report 2019 (page 6 - 14, 16)
- Annual financial statement 2020 (page 4 - 6)
- Interim report January – March, 2021 (page 4 - 6)
- Cline Scientific AB - Articles of association

These documents have been published on the Company website, www.clinescientific.com.

The contents of the Company's website or any third-party web-sites referred to herein do not constitute part of the Company Description.



Risk factors

An investment in Cline Scientific's Shares is associated with risks. Prior to an investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Cline Scientific and the future performance of Cline Scientific's shares. A number of factors, both within and outside Cline Scientific's control, may have a negative impact on Cline Scientific's operations, earning and financial position. These risks can be difficult to quantify due to external factors and Cline Scientific's business orientation. The following are a number of risk factors that are of significance for the assessment of Cline Scientific and its share price and include, for example, risks related to Cline Scientific's operations and industry, legal risks, financial risks and risk related to the admission of Cline Scientific's Shares on Nasdaq First North. The risk factors mentioned below are not presented in order of priority and do not claim to be comprehensive. Anyone considering buying shares in Cline Scientific should seek advice from qualified advisors.

RISKS RELATING TO CLINE SCIENTIFIC'S OPERATION AND INDUSTRY

RISKS RELATING TO THE COMPANY CURRENTLY BEING IN A DEVELOPMENT PHASE

The Company is currently in a development phase where the current focus is to develop products for cancer diagnostics (CellRACE) and stem cell therapies (StemCART). As per the date of this Company Description, both the product candidates are in a pre-clinical phase. There is a risk that the Company will not be able to further develop the products and take the research to the next stage, i.e. to clinical trials. The Company plans to commence a pilot study of the CellRACE project during 2021. As regards the StemCART therapy a phase I clinical study is planned to commence in 2022. Hence, the Company is in a development phase and no product has yet been launched to the market. There is a risk that the Company is materially negatively affected if the on-going pre-clinical trials are not completed as planned and that the Company as a consequence will not be able to attract partners or customers for such products as estimated. It is therefore difficult to predict and evaluate the Company's future sales potential. If any of the risks described above would materialize it could have a material adverse effect on the Company's growth and potential revenues, which could have a material effect on the Company's results of operations and financial position.

CLINE SCIENTIFIC IS DEPENDENT ON KEY EMPLOYEES

Cline Scientific is a small company with limited resources in terms of management, administration and capital. As per the date of this Company Description, the Company has two employees and three consultants. In order for the Company to be able to implement its strategy, it is important that resources are allocated in an optimal manner for the Company. There is a risk that the Company's resources are insufficient and that the Company is thus affected by financial as well as operationally related problems. The Company's future growth is largely determined by the knowledge, experience and commitment of management, the Board of Directors and other key individuals and employees. There is a risk that the Company will not be able to retain these key individuals or that the Company will not be able to recruit new qualified personnel in the future. If any of Company's key individuals and employees chooses to leave their employment with the Company or if the Company fails to recruit new qualified individuals if necessary, this could adversely affect Cline Scientific's operations. If the Company would have to recruit new employees and new key individuals, this can be very time and cost consuming. If the Company should lose one of more of its key individuals, there is a risk that the Company would not be able to find suitable replacement and that the Company would lose valuable know-how not replaceable, which could negatively impact the Company's operations and consequently the Company's financial position.

CLINICAL TRIALS AND RESEARCH PERFORMED BY THE COMPANY MAY PROVE TO BE UNSUCCESSFUL

The medical device industry in general, and clinical trials in particular, are associated with great uncertainty risks relating to delays and the outcome of the trials and research. The outcome of the research studies in regards of the StemCART and CellRACE project that have been published so far by the Company have been positive. However, there is no guarantee that the results of future research relating to the projects StemCART and CellRACE or any other future projects established by the Company, in areas, may continue to give positive results. There is a risk that the preclinical trials currently being performed in relation to the Company's projects StemCART and CellRACE, or such preclinical trials which otherwise will be performed in the future by the Company, will not be completed in a timely or cost-effective manner. Furthermore, the Company's clinical trials might not produce the results required to complete the development process and obtain regulatory approval. The Company may be required to conduct additional or more extensive clinical trials then originally was anticipated, which may result in longer and more expensive development processes of the Company's products. Should any of the abovementioned risks materialize, this could adversely affect the Company's operations, earnings and financial position.

COMMERCIALIZATION OF PROJECTS AND POTENTIAL MARKET FAILURE

The Company has not yet commercialized its on-going projects StemCART and CellRACE and has no current revenue stream. The Company is also dependent on commercially attractive markets remaining available to it during the commercialization phase of, for example, the products relating to the StemCART and CellRACE projects and, once developed, to fund sufficient revenues for continued operation. Due to the research and development phase the Company currently is in, there is a risk that the Company will be delayed in its commercialization of its project, or may not be able at all to commercialize its projects, which could in turn have a material effect on the Company's operations, earnings and financial position.

REGISTRATION AND REGULATORY APPROVAL WITH AGENCIES AND/OR REGULATORY AUTHORITIES

The Cline Scientific diagnostic method CellRACE and the stem cell therapy StemCART requires the approval of appropriate agencies and/or regulatory authorities in order to be marketed and sold on the market. The Company is carrying out extensive research to ensure that its products complies with the requirements set by the appropriate agencies and regulatory authorities. In the event that the Company, directly or in collaboration with potential future partners, fails to obtain or maintain the requisite permits, approvals and registrations from the appropriate agencies or regulatory authorities, there is a risk that the Company's ability to generate revenue will be inhibited and in turn this could affect the Company's business operation and financial position. Even if the necessary permits and approvals are obtained for the Company's products, the Company's diagnostic method CellRACE and the stem cell therapy StemCART will be under the supervision of regulatory authorities in countries where the methods are marketed. If unknown problems would be detected when an approval has been obtained, this could result in limitations in the use of the diagnostic method or the approval being withdrawn completely. Problems with obtaining or retaining the approval can have a significant impact on Company's operations, financial position and results. Furthermore, any applicable rules and regulations regarding requirements for obtaining approvals and authorization from appropriate agencies and/or regulatory authorities may change and such amendments may be material. There is a risk that potential amendments of the applicable rules and regulations may result in the Company not receiving relevant approvals or authorizations, which in turn could affect the Company's earnings and financial position.

CLINE SCIENTIFIC OPERATES IN A COMPETITIVE INDUSTRY

The clinical products that Cline Scientific develops may be subject to increased or changed competition through the development of new product solutions. If a competitor develops a clinical product that outperform one of the Company's clinical products, the new clinical product can take market shares at the expense of the Company's relevant clinical product, which in turn can adversely affect the sales volumes of older competing products. Thus, in cases where Cline Scientific develops such an older competing clinical product alternative, new products may adversely affect Cline Scientific's operations, earnings and financial position.

CLINE SCIENTIFIC IS SUBJECT TO RISKS RELATING TO THE ON-GOING COVID-19 PANDEMIC

The Covid-19 pandemic has caused an adverse and prolonged impact on the financial development on a global scale and may continue to have such impact in the near future. As a consequence of the Covid-19 pandemic, the Company has experienced reduced and delayed research opportunities in relation to its projects StemCART and CellRACE. Since the outbreak of the pandemic, the Company's research and preclinical trials have to some extent been affected and delayed. This is due to the fact that part of the Company's research and trials are performed in collaboration with universities and hospital, which institutions in turn have been affected negatively by the Covid-19 pandemic. For example, some of the Company's research regarding the product CellRACE is dependent on materials being provided from performed breast cancer surgeries. Such research and preclinical trials have been affected due to non-emergency breast cancer surgeries have been delayed and postponed at hospitals during the pandemic to release resources at hospitals. The impacts of the Covid-19 pandemic on the Company are expected to be temporarily. However, any increased consequences of the Covid-19 pandemic or a new pandemic could cause delay in the Company's development of its clinical products, which in turn could adversely affect the Company's operations, earnings and financial position. Furthermore, since the Company is a small organization and hence is dependent on its employees and consultants, there is a risk that if any of the Company's employees or consultants would become ill in Covid-19, this could have a negative impact on the Company's operations.

RISKS RELATING TO CLINE SCIENTIFICS FINANCIAL SITUATION

CLINE SCIENTIFIC COULD BECOME IN NEED OF FURTHER FINANCING AND CAPITAL RAISE

Cline Scientific is currently in a development phase in relation to its projects StemCART and CellRACE. Currently on-going and planned future clinical trials and research will entail significant costs for the Company. There may be

delays in the Company's development of clinical products if the Company would lack funds to finance such research, which could result in that earnings would be generated later than originally planned. The Company may in the future need to raise additional capital and financing. However, there is a risk that such additional capital may not be acquired on reasonable term, or at all. If such risk would materialize, this could result in that the Company's development of clinical products are temporarily halted or that the Company is forced to conduct its business and research in a slower pace than desired. This can in turn adversely affect the Company's ability to obtain earnings, which will have a negative impact on the Company's financial position.

LEGAL AND REGULATORY RISKS

PROTECTION OF INTELLECTUAL PROPERTY AND KNOWHOW

The Company relies heavily on patents and other intellectual property rights to protect its clinical products and projects, including for example know-how protection and non-disclosure agreements. The Company has currently registered patents for the method of making surface with controlled coverage of nanoparticles and for the product formation of the gradient surfaces. The registered patents include the material markets Europe, Sweden, U.S., Japan and India. Future products and technology development may mean that intellectual property rights will constitute an increasing part of the Company's total asset portfolio. The Company is therefore dependent on its ability to obtain, maintain and enforce patents and other intellectual property rights for its products. There is a risk that the existing and future patent portfolio and other complementing intellectual property rights held by the Company will not provide an adequate commercial protection of the Company's products or that the Company does not have sufficient funds to obtain, maintain and enforce patents and other intellectual property rights for its products. The strength of patents in the medical device field involves complex legal and scientific questions and evaluations. There is a risk that patent applications may fail to result in issued patents and even if patents are successfully issued, third parties may challenge the validity, enforceability or scope thereof, which may lead to such patents being narrowed, invalidated or unenforceable. There is a risk that new technologies and products will be developed by competitors that will bypass or replace the Company's current and future intellectual property rights. Furthermore, the Company relies on know-how and it cannot be ruled out that competitors develop corresponding know-how, or that the Company fails to effectively protect its know-how. In the event that the Company is required to defend its patents or other intellectual property rights against a competitor, there is a risk that it does not have sufficient funds for such defense or that it could lead to significant costs being incurred by the Company, which in turn will adversely affect the Company's operations and its financial position. It cannot be ruled out that the Company may inadvertently be considered to infringe on third party intellectual property rights. Neither can it be excluded that the Company is, for reasons unknown at present, drawn into court proceedings by competitors for alleged infringement of competitors' intellectual property rights. Infringement disputes, like other disputes, can be costly and time-consuming and therefore have a negative impact on the Company's operations, earnings and financial position.

CLINE SCIENTIFICS PRODUCTS ENTAILS A RISK OF PRODUCT LIABILITY AND OTHER DAMAGES NOT COVERED BY ITS INSURANCE

Cline Scientific's operations, such as clinical product development and production, entails a risk of product liability. Although that the Company has insurance coverage against product liability, it cannot be ruled out that the Company will be liable for damages, which are not fully or partially covered by the Company's insurance. In the event of damages resulting from the use of products developed or manufactured by the Company, this could entail significant costs and losses. Moreover, it cannot be ruled out that someone makes a claim against the Company on other grounds and that this is not covered in whole or in part by the Company's insurance coverage. Acceptance of such damages could adversely affect the Company's operation, earnings and financial position.

RISKS RELATING TO THE SHARES

THE COMPANY'S SHARES MAY FLUCTUATE IN VALUE AND IN LIQUIDITY

Cline Scientific's Shares admitted to trading on Nasdaq First North will be affected by significant price- and volume fluctuations, some which are specific to the Company, while others are general for listed companies and outside the Company's control and therefore also not connected to the Company's result development. In general, the liquidity of a share affects the ability to trade in the share at the desired time. If active and liquid trading does not develop or does not prove sustainable ones the Company's Shares are admitted to trading on Nasdaq First North, there is a risk that an investor in the Company's Shares will not be able to buy or sell Shares at the desired time if there is low liquidity in the Share.

RISKS RELATING TO THE TRADING OF THE COMPANY'S SHARES ON AN ALTERNATIVE MARKETPLACE

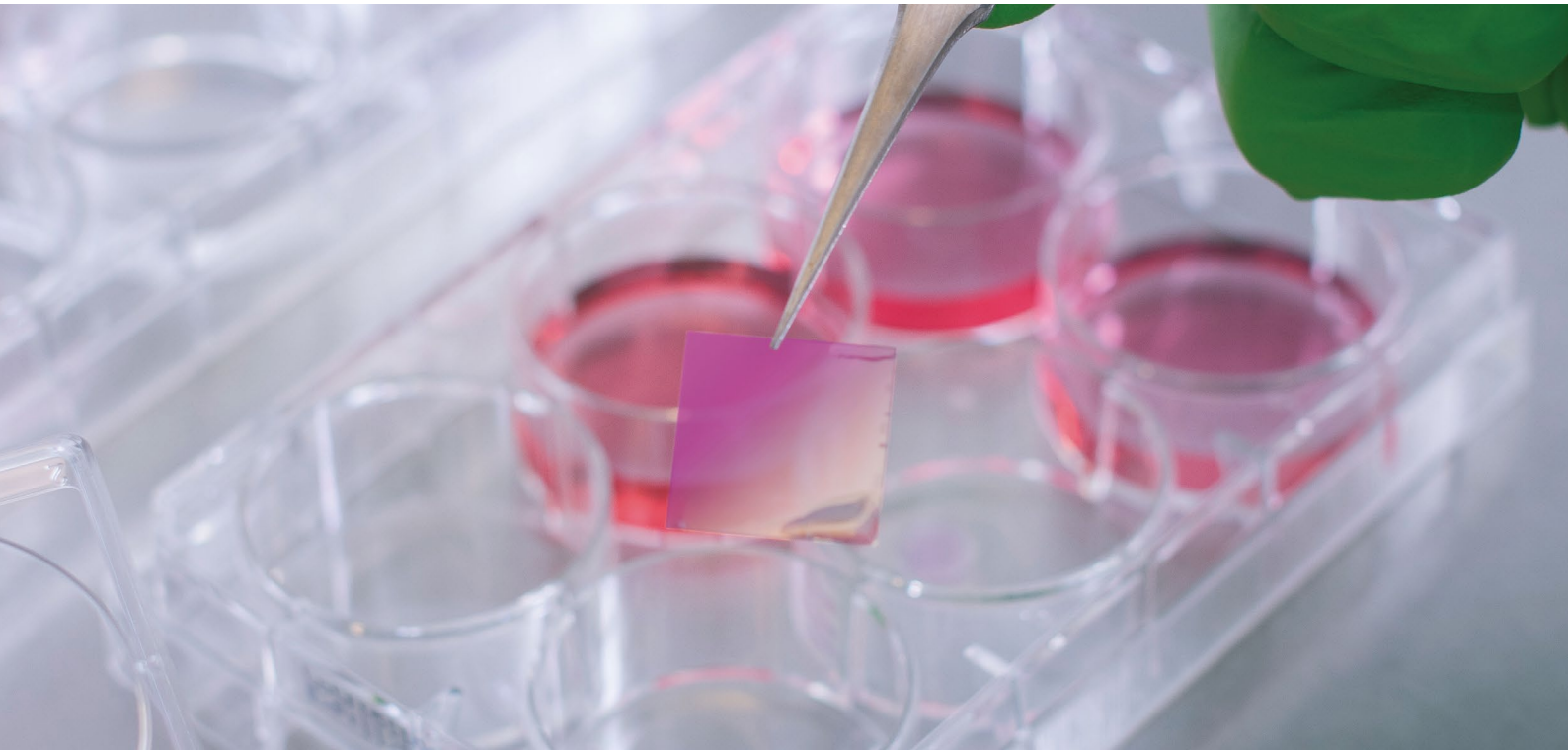
The Company's Shares has been traded on Spotlight Stock Market, which is a subsidiary of ATS Finans AB (a securities company under the supervision of the Financial Supervisory Authority) since 2015. The Company has applied for admission to trading on Nasdaq First North which is, like Spotlight Stock Market, a multilateral trading facility (an alternative marketplace) and hence not a regulated marketplace as defined by law. A company whose shares are traded on an alternative marketplace is not bound by the same legal rules and regulations as a company whose shares are traded on an alternative marketplace. An investor in the Company's Shares shall be aware that an investment in shares traded on an alternative marketplace, such as Nasdaq First North, can involve more risks than an investment in shares traded on a regulated marketplace.

FUTURE ISSUES OF SHARES OR OTHER SECURITIES MAY DILUTE THE SHAREHOLDING AND HAVE A NEGATIVE IMPACT ON THE SHARE PRICE

The Company has since its start, carried out a number of share issues in order to raise capital for its on-going business. Therefore, there is a significant risk that the Company in the future may seek to raise capital through offering equity securities, for example in connection with future investments in the Company's business. An issuance of additional equity securities or securities with rights to convert into equity securities could adversely impact the market price of the Shares and would dilute the economic and voting rights of existing shareholder if made without granting preferential rights to existing shareholders or if a shareholder is not able to exercise its preferential right to subscribe for new shares. Hence, there is a risk that any future offerings of Shares in the Company will reduce the market price of the Shares and/or dilute existing shareholdings in the Company.

MAIN SHAREHOLDERS WITH SIGNIFICANT INFLUENCE

The Company's main shareholders MKD Group AB and Rebiella AB (a wholly-owned company by Patrik Sundh, member of the Company's Board of Directors and the Company's CEO), holds together approximately 30.6 per cent of the shares and 50.5 per cent of the votes in the Company on the date of this Company Description. Accordingly, these main shareholders have a significant influence over the outcome of matters submitted to the Company's shareholders for approval, including election of board members and corporate transactions such as merger and acquisitions. The main shareholders' interests may not necessarily be the same as, and may differ significantly from, or compete with, the Company's interest or those of the other shareholders. There is a risk that the main shareholders will exercise influence over the Company in such manner that does not promote all shareholders' interest, which could in turn have an adverse impact on the value of the Shares and the Company's operations and financial position. If the main shareholders were to sell all or part of their respective shareholdings in the Company, this could also have a material adverse effect on the price of the Company's Shares.



Background and motivation

Cline Scientific develops advanced cancer diagnostics and stem cell therapies. These cell-based life science projects are driven by the Company's patented gradient nanotechnology, through collaborations with pharmaceutical companies and academic research institutions on a global scale. The Company's nanotechnology offers new solutions to unresolved challenges with focuses within the fields of metastatic cancer diagnostics and stem cell-based therapy for osteoarthritis. Using its technology, expertise and research, Cline Scientific is driving projects into clinical phases.

The Company was founded in 2012 through a collaboration between Gothenburg University and Chalmers University of Technology in Sweden to commercialize patented nanotechnology, namely a method to produce nanoscale surface gradients. In early 2015, Cline Scientific successfully transitioned to a publicly traded company on Spotlight Stock Market. During 2020, Cline Scientific acquired Liv Diagnostics AB and hence the intellectual property rights and know-how relating to the project CellRACE, further deepening the development work within the field of oncology.

In June 2020, Cline Scientific carried out a new rights issue which provided the Company with approximately SEK 10 million. This issue also included a warrant which vested in March 2021, providing the Company with a further SEK 10.1 million. The purpose of this issue was to accelerate the next phase of the Company's development by financing the laboratory and clinical work for Cline Scientific's two development projects.

The Board of Directors of the Company makes the assessment that a listing of the Company's shares on Nasdaq First North entails better conditions for future value creation for the Company's shareholders, including through improved liquidity in the Company's securities and increased interest in the business and the Company from analysts, the public, international institutional investors and other stakeholders. The listing on the Nasdaq First North is also considered to be a seal of quality for potential customers, partners and suppliers. Based on the above, the listing is thus considered to promote Cline Scientific's future growth and development.

The Company's assessment is that the Company's working capital is sufficient for the twelve months following the first day of trading on Nasdaq First North.

The Board of Directors of Cline Scientific has received approval to admit the Company's class B shares to trading on the Nasdaq First North. The first day of trading is scheduled for June 14, 2021. The last day for trading of the Company's class B shares on Spotlight is June 11, 2021. Shareholders of the Company do not need to take any action in connection with the listing on Nasdaq First North.

The Board of Directors is responsible for the information in this Company Description which has been established in preparation for the listing on Nasdaq First North Growth Market. Statements are based on the Board's and management's assessment if no other grounds are stated.

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

Gothenburg, June, 2021

Cline Scientific AB
the Board of Directors

Company overview

BUSINESS MODEL

Cline Scientific's primary business model relies on the out-licensing and/or divestment of projects developed in house.

PRIMARY CUSTOMER SEGMENT

Cline Scientific is focusing its efforts on building relationships with major life science players to create interest in the two key projects (the cancer diagnostic test "CellRACE" and the stem cell therapy "StemCART"). The aim is, through continued progress and results in the development work of each project, to attract one or more companies to collaborate. Such cooperation can be initiated with agreements on co-financing of the development work where the ultimate goal is that a partner then acquires the entire project (see product descriptions below).

SECONDARY CUSTOMER SEGMENT

In addition to its primary focus, Cline Scientific continues to sell a limited volume of nanosurfaces and nanoparticular products to a group of customers for whom Cline Scientific's technology can offer new, critical functionality. This model allows Cline Scientific to stay open to new projects, applications and opportunities for its gradient technology. Customers of Cline Scientific's nanotechnology products can be found within academic research, university hospitals, and pharmaceutical companies. In academic segments, products are marketed as research tools. Here, the products have the advantage that they can be used for several applications. In cases where customers intend to develop a clinical product, Cline Scientific's tools have great potential to become an essential component, for example, in the production or use of stem cells for therapeutic applications. Therefore, the purpose is to either become a development partner to such a customer or to own and run development projects themselves. In this way, new opportunities are created for new projects that can eventually lead to income opportunities for Cline Scientific.

FUTURE CASH FLOW

The following future revenue channels are possible.

- Sales of projects/joint ventures developed in-house.
- Sales of projects/joint ventures developed together with customers/partners.
- Licenses from the patent portfolio. Ability to license out application areas outside the Company's focus areas or license out technology for production purposes when the Company deems it advantageous.
- Sales of research products to customers.
- EU financing of projects, Vinnova contributions, etc.

THE CLINICAL PROJECTS

The current clinical products in development, CellRACE and StemCART described below, are the primary focus of development. While the focus will be on the development of the two projects, Cline Scientific will continue to search for new projects with potential. Cline Scientific's nanotechnology-based surfaces are currently used in a number of smaller research projects, which potentially can develop into clinical development projects at a later stage. The nature of Cline Scientific's technology platform means both projects are able to be extended to additional indications and therapy areas, such as other cancer types or cell-based therapies.

CELLRACE – CANCER DIAGNOSTIC TEST

INTRODUCTION

Cline Scientific has been involved in the field of oncology through several collaborations with cancer researchers over the years, with this work further deepening recently through the acquisition of Liv Diagnostics AB in 2020. Since its inception in 2016, Liv Diagnostics AB has been developing a product aimed at analyzing cell movement and directional migration of living tumor cells using Cline Scientific's nanogradient technology. The acquisition of Liv Diagnostics AB enabled the continued development of a product to measure the migration behavior of living cells in a cancer tumor with the ultimate goal of giving an accurate indication of disease invasiveness of the tumor, thus enabling early and appropriate therapy on a patient-specific basis. The technology also has the potential to extend to a range of cancer and other uses such as a companion diagnostic and in the testing of new drugs that target metastasis.

90 % of all cancer-related deaths occur due to metastasis[1], and knowing the risk of metastasis is of great importance in the treatment of the disease. The initial product development has been focused on developing a prototype for the diagnosis of migration-prone breast cancer cells. Promising results show that the product can differentiate the behavioral patterns between metastatic and non-metastatic breast cancer cells with very high specificity.

This project is called CellRACE.

1 *Chaffer, C. L., & Weinberg, R. A. (2011). A perspective on cancer cell metastasis. Science, 331(6024), 1559-1564.*

SCIENTIFIC BACKGROUND AND PATIENT BENEFITS

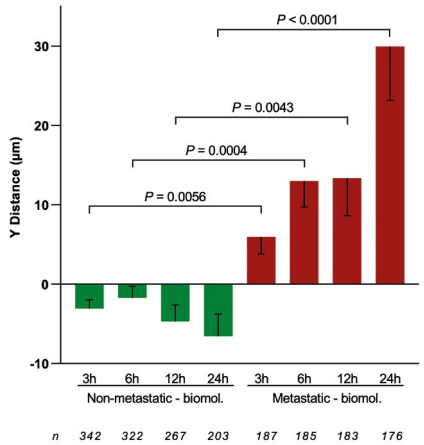
Today's diagnosis of breast cancer cannot yet accurately determine whether a tumor will metastasize. Current risk prediction methods rely on histopathology, tumor subtypes, genetic testing, and the presence of molecular biomarkers; however, these are indirect measurements that only give a limited picture of the statistical likelihood of recurrent outcomes. There is, therefore, a clear gap as the behavior of live cells is not explored in today's cancer diagnosis. Yet, cell migration is a prerequisite for tumor cells' ability to break out from the primary tumor, migrate to other parts of the organism and metastasize, a process responsible for the vast majority of cancer deaths.

Chemical gradients have been shown to play a vital role in enabling tumor cell migration. Unlike other methods of producing gradients, Cline Scientific's patented method of producing solid surface-bound nanogradients is able to simulate the cell environment, which allows the measurement of cell migration, a crucial disease marker. Using its core gradient technology, advanced cell imaging, and proprietary algorithms, Cline Scientific's diagnostic tool will thus fill this unmet need and provide crucial diagnostic information not available today.

Without an accurate and reliable way to determine the risk of tumor migration in cases of breast cancer, patients are at risk of overtreatment with aggressive chemotherapy and mastectomy. On the other hand, where malignant cases are misclassified as benign, the patient is at risk from delay in the necessary treatments, and the tumor goes on to form metastases, which can lead to a fatal outcome. Over-treatment and under-treatment can be directly addressed when clinicians are given greater insight into the development of the disease given by CellRACE.

Whether a tumor has the capacity to metastasize or not could play a crucial role in the choice of treatment strategy, and CellRACE, therefore, has the potential to become a valuable diagnostic tool in the field of oncology.

IN PICTURES: NON-METASTATIC VS METASTATIC CELL RESULTS



- *Two cell lines with known patient history and metastasizing ability tested on the prototype.*
- *CellRACE clearly identifies metastasizing cells.*
- *Both quantitative and qualitative analysis can be performed.*

THE PRODUCT CANDIDATE

The product in development is a diagnostic test that will initially be used for the diagnosis and monitoring of breast cancer. Potentially, the technique can be used for other types of metastasizing cancer and in the development of new anti-metastasis therapies.

A number of tests are performed on patients over the course of the cancer journey. Typically, after mammography imagery screening, a biopsy is taken in order to confirm whether there is a cancer diagnosis. At this time, several test and factors are considered in planning the treatment path for the patient. CellRACE is intended to be implemented as one component of the testing carried out at the biopsy in order to guide treatment decision making.

CellRACE is a "lab-on-a-chip" product, where living cells from the biopsy will be analyzed on a small device. The behavior is recorded, analyzed and then, via a proprietary algorithm, related to the current risk of metastasis.

The main advantages of the product are deemed to be:

a. Analysis of the whole, complex tumor cells current behavior as opposed to isolated attributes (markers) of the same cells merely gives an indication of how the cells may respond.
b. Diagnosis based on the direct analysis of live cells, not inferences made from factors gained from dead or disrupted cells.

The information obtained is important in several different steps in the treatment process, from surgery planning to chemotherapy options.

REGULATORY PROCESS FOR APPROVAL

For CellRACE to be used for diagnostic purposes, the product will need to be approved as an in vitro diagnostic product. In the first market that Cline Scientific envisions gaining approval, the EU, this means obtaining CE-marking according to the requirements of the In Vitro Diagnostics Regulation (IVDR). This process includes a number of requirements, notably conducting a performance evaluation, implementing a Quality Management System (QMS), risk assessment as well as submitting technical documentation for review by a Notified Body (NB). For the US market, Cline Scientific envisions that the product will be classed as a Class II medical device and will need to complete 510(k) premarket notification after the EU.

The clinical studies that will form the basis of the product approval will be a small pilot study followed by a larger clinical performance evaluation compared against standard pathology and most widely used biomarkers.

DEVELOPMENT STAGE

The CellRACE product is currently in the prototype pre-clinical stage. To date, a prototype has been developed, and proof-of-concept testing has been carried out on various tumor cell lines and patient material. After completion of an FTO (freedom to operate), patent protection for the product has been sought through an application submitted in March 2021.

The next value-creating milestone will be the commencement of a pilot study planned in 2021. Following this, the finalization of product design and specifications, as well as the analytic and scientific validation testing, are planned to be completed in 2022.

Cline Scientific plans to commence clinical performance studies for CE-marking in 2023.

Following this, Cline Scientific plans to find a commercial partner, such as a large pharmaceutical actor, before the final stages of bringing the product to the market through either licensing or acquisition of the project.

STEMCART – STEM CELL THERAPY

INTRODUCTION

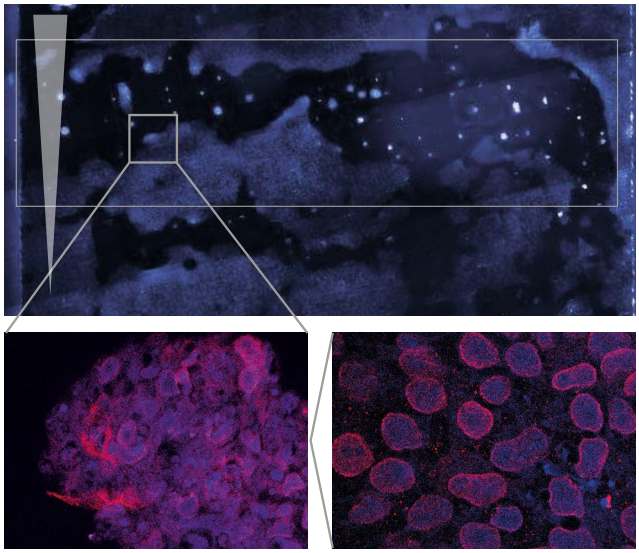
Cline Scientific collaborates with a team at Sahlgrenska University Hospital and is developing an allogeneic stem cell therapy based on induced pluripotent stem cells (iPSCs) that can self-heal cartilage. This means that human adult cells that have been donated are able to provide patients with new cartilage cells.

There are several conditions, such as cartilage trauma or osteoarthritis, that lead to cartilage degradation in patients. As cartilage has a limited ability to self-healing or regenerate by the body, it is often necessary to replace the damaged joint to correct the problem. Alternatively, you can remove healthy tissue from the patient, clean and grow the cell count, and put them back in place. However, this autologous method is time-consuming, requires several interventions and cannot be scaled up. Therefore, there is a great need for an allogenic functional cell therapy for the treatment of cartilage damage.

This project is called StemCART.

SCIENTIFIC BACKGROUND AND PATIENT BENEFITS

Organs and tissues such as cartilage and limbs are formed during embryo development by means of gradual changes in several different concentration-dependent growth factors. These processes control the cells as they start to develop into specific cell types. StemCART exploits this natural



IN PICTURES: CONTROLLING CELL FORMATION WITH CLINE SURFACES

Along the gradient, cell clusters are formed within a specific density range of biomolecules. The top image shows the part of the gradient area where this occurs, the bright spots are cell clusters, and the triangle shows how the gradient density decreases downward in the image. On closer examination of the nuclei of the cells, it is seen that substances have formed that show that the development of cartilage has been initiated. This can be seen in the two lower images where a cell cluster has been zoomed in in two stages. The blue color shows cell nuclei, and the red color is visible only when the desired substance has been formed, which it clearly has.

phenomenon by attaching these biomolecules to the gold nanoparticles on Cline Scientific's gradient surfaces, thereby creating an environment that mimics nature's own nursery. Thus, the gradients are used during the differentiation of iPS cells into cartilage to provide a unique, defined and growth-promoting environment with molecular precision. The human body cannot reproduce or repair cartilage on its own, mainly because of the lack of blood flow in the joints. Damaged cartilage must therefore be replaced either with implants or regenerated by supplying healthy cartilage cells. The latter provides an opportunity to remedy the problem at an earlier stage and thus significantly reduce suffering.

With the help of gradient surfaces and nano-surfaces, a homogeneous cell population is cultivated with optimal conditions for developing into chondrocytes, cells of the cartilage. After a condensation phase, the cells reach the stage required for the healing of an injury after application in the affected joint. These newly created cartilage cells can then be integrated into a scaffold or matrix that can be implanted into patient joints to replace degraded cartilage.

THE PRODUCT CANDIDATE

StemCART is a therapeutic product for cartilage damage based around the very high level of cell differentiation control provided by Cline Scientific's nanotechnology, which is otherwise not possible. The method of forming cartilage from iPS cells in this way is unique, and a patent application has been filed to protect the product in 2020.

REGULATORY PROCESS FOR APPROVAL

In order to be used to treat patients, the StemCART product will need to be approved by regulatory authorities through the submission of clinical trial data to show efficiency and safety.

Clinical trials for a medicinal product generally fall into phases I-III. For regenerative medicine products such as StemCART, first-in-human studies are usually carried out on a small target population and is often combined with early efficiency evaluation in the form of a transitional phase I/II study.

In the EU, an important first market for Cline Scientific, StemCART cartilage therapy, is considered a tissue-engineered product, a type of Advanced Therapy Medicinal Product ("ATMP"). Recent developments have been beneficial to the development path of StemCART. Since 2017 the EMA (European Medicines Authority) and European Commission have been carrying out a joint action on ATMP, which aims to streamline procedures and better address specific requirements of ATMP developers and stem-cell related therapies specifically. The first stem cell containing ATMP was recommended for approval in 2014.

In 2020, the EMA released a warning to the public concerning the use of unproven and unapproved cell-based therapies, with similar crackdowns on unregulated stem cell clinics in the US by the FDA (U.S Food and Drug Administration). Cline Scientific's StemCART is distinct from these often ineffective and dangerous treatments as Cline Scientific's product will be rigorously tested for safety and effect as well as function in the same way as natural cartilage. These actions are a positive position development for Cline Scientific as they increase public trust in the safety and credibility of the field.

Finally, the EMA have a dedicated office responsible for and support resources for SME companies to provide regulatory, financial and administrative assistance, which Cline Scientific has and will continue to take advantage of. This support can come in the form of fee exemptions, direct consultation and training/workshops.

DEVELOPMENT STAGE

Cline Scientific's StemCART therapy project is currently in the preclinical phase. To date, the method to develop the cartilage has been developed, tested for efficiency on human cartilage tests, and the scaffold/matrix is currently under development.

An FTO was carried out on the project which resulted in the method for creating the product being submitted as a European patent application in 2020.

The next significant value-driving event is the commencement of the preclinical and safety studies planned to commence in 2022. In order to prepare for clinical trials, regulatory work has begun with Cline Scientific achieving SME status with the European Medicines Agency, EMA.

In order to progress with later clinical trials, manufacturing and bringing the product to the market, Cline Scientific aims to find a project partner or buyer.

OTHER PROJECTS

As discussed above, Cline Scientific is continuously establishing new customers, collaborations and projects to establish new future applications and products. Two current examples established in the previous year is a research collaboration with AstraZeneca as part of the V.A. Cure project and a research group at Sahlgrenska Academy utilizing the surfaces for Alzheimer's Disease.

V.A. CURE

In January 2021, Cline Scientific established a collaboration with global biopharmaceutical company AstraZeneca to use Cline Scientific's gradient surfaces to investigate vascular disease. The project is part of a multi-country Horizon 2020-funded MSCA-ITN network Horizon 2020 V.A. Cure. The project which aims to uncover core mechanisms of vascular anomalies and to leverage this information for establishing new therapeutics for vascular disease. The project consists of 14 individual research projects across seven academic labs and two industry partners.

Vascular anomalies are defects of the vascular system that can be either with blood or lymph vessels. Many vascular anomalies are congenital and inherited, but they can also be brought on by events such as trauma and pregnancy. Vascular anomalies can be malformations or tumors, which range from harmless to life-threatening.

As part of one of the V.A. Cure projects, a Ph.D. student at AstraZeneca will use Cline Scientific's gradient surface technology and methods in the development of protocols with the aim of differentiating iPS cells into cell types which are relevant for vascular anomalies. The project also aims to transform these stem cells to form vascular tissue and create a homogenous cell line for vascular anomalies which has not previously been possible. Should the project prove successful, the protocols and cell lines have the potential to be used in other studies and for the generation of novel treatments.

ALZHEIMER'S DISEASE

A research group at Sahlgrenska University Hospital are using Cline Scientific's nanogradient technology to better understand Alzheimer's disease by turning stem cells into neurons that are exposed to the responsible component that causes Alzheimer's Disease. Cline Scientific's technology is being used to further investigate this protein, Amyloid-β, to better understand how the disease develops and more importantly, how to combat it.

Alzheimer´s disease (AD) is a chronic neurodegenerative disease that affects over 50 million individuals worldwide. Using Cline Scientific's nanogradient technology, the researchers can stimulate the neurons with the protein fragment in a way that is controlled yet similar to the natural environment of the brain. This fragment is produced mainly by neurons. To date, most clinical trials targeting Aβ production to stop Alzheimer's have failed. Cline Scientific's technology is paving the pathway to work with Alzheimer's disease in a way that has yet to be possible until now.

CAPITAL REQUIREMENTS

In order to develop the two clinical projects (CellRACE and StemCART) to the next expected value-driving events in 2021 and 2022 (see the section "Development stage" for each product candidate), approximately SEK 10M per project will be required. This is expected to be fulfilled by an additional share issue in 2022.

Once the projects have been validated and have been successful in the early phases of clinical testing, Cline Scientific aims to find a commercial partner(s) to acquire the project and bring the products to the market.

ORGANIZATION

Cline Scientific's operations are centered in Mölndal Sweden, with lab facilities located within the AstraZeneca BioVentureHub. Cline Scientific's management and operations consists a total of five persons with extensive experience across research, management, sales and life science product development. This includes: CEO Patrik Sundh, CFO Håkan Bengtsson - responsible for financial and administrative matters, Director of Product Development Dr Hanne Evenbratt – responsible for Cline products and product development, Manager of Product Development Dr Reza Mobini - responsible for the product development of CellRACE and the laboratory development work and Manager of Communications Victoria Bicknell – responsible for market communications, see section Key employees for details.

Significant events in the Company's history

2010

- A research group at the University of Gothenburg patents a unique method to easily create density gradients of nanoparticles on surfaces.
- A collaboration is started with the company incubator Encubator Chalmers University of Technology.

2012

- Cline Scientific was founded in a collaboration between Göteborg University and Chalmers University of Technology to commercialize a patented nanotechnology.
- Funding received from Innovation Bridge (ImR), innovation loans from Almi, and seed financing from the Västra Götaland region for a total of SEK 1,5M.
- Prototype is produced and results in the first paying customers in Sweden.

2013

- SEK 1,5M received through VINNOVA's program "Young Innovative Growth Companies".
- Production is scaled up and number of pilot customers grow.

2014

- A bridge financing is carried out for SEK 2M. The issue is subscribed for by board members, employees and a small number of private investors.
- Collaboration is started with research group at Karolinska Institute studying cancer cell migration and cancer diagnostics.
- Patent covering nanoparticle gradient surface production in China granted.

2015

- Cline Scientific signs agreement with distributor in Germany.
- Cline Scientific signs agreement with distributor in California, USA.
- Cline Scientific signs agreement with distributor in Japan.
- Listing on AktieTorget, now Spotlight stock market. Rights issue provided Cline Scientific with SEK 10.2M.

2016

- Cline Scientificsigns agreement with distributor is France.
- Collaboration with customer Stina Simonsson established to study using surfaces with stem cells.
- The Chalmers University of Technology Foundation acquires shares in Cline Scientific as a long-term investor and becomes one of the four largest owners.

2017

- Cline Scientific forms a subsidiary in the United States with the purpose of sales.
- Patent covering nanoparticle surface production in EU granted.
- Patent covering nanoparticle surface production in USA granted.
- Patent covering nanoparticle surface production in Japan granted.
- Cline Scientific takes loan from Chalmers University of Technology Foundation, of a total of SEK 3M.

2018

- Collaboration with Stina Simonsson expanded to develop cartilage cells for cell therapy purposes.
- Cline Scientific has entered into a license agreement with the company Liv Diagnostics AB. The agreement applies to a license that gives Liv Diagnostics access to Cline's patented technology in the development of a cell-based diagnostic application for metastatic breast cancer.
- Moved labs to be within AstraZeneca BioVentureHub, allowing Cline Scientific to establish its own cell culture lab.
- Cline Scientific enters into a license agreement with Liv Diagnostics AB, which provides Liv Diagnostics AB access to Cline Scientific's patented technology in the development of a new cell-based diagnostic application.
- Rights issue provided Cline Scientific with SEK 6.1M.
- Cline Scientific signs agreement with distributor in South Korea.

2019

- Cline Scientific takes loan from Chalmers University of Technology Foundation, current owners and external lenders for a total of SEK 5.5M.
- Second patent covering method of formation of gradient in US granted.
- Second patent covering method of formation of gradient in Japan granted.

2020

- Acquisition of Liv Diagnostics AB and its cancer project.
- Cline Scientific starts testing of CellRACE prototype on live tumor cells.
- Rights issue of units 2020/2021 provided Cline Scientific with SEK 10M.
- Cline Scientific's surfaces used by researchers in Sahlgrenska University Hospital to better understand Alzheimer's disease.
- Patent application filed for StemCART cell stem methods.

2021

- Research collaboration established with Astra Zeneca as part of EU project V.A. Cure.
- Cline Scientific's US subsidiary is dissolved.
- Warrant subscription period 2020/2021, provided SEK 10.1M.
- Patent application filed for CellRACE related method and device.

Market overview

CELLRACE MARKET

For the CellRACE project, the first product is being developed for use in the diagnosis of breast cancer.

BREAST CANCER IN BRIEF

Breast cancer is the most commonly occurring cancer in women, and cases are rising each year. Significant markets with a high burden and spending on breast cancer include North America, Europe and Australia.

SOME FIGURES

- In 2018, WHO reported over 2 million new breast cancer cases, with particularly high incidence rates in Europe, Australia and North America.
- In Sweden, there was an estimated 137.8 cases per 100,000[2].
- In the US, 290,000 new cases are diagnosed each year, which means about one in eight women will develop invasive breast cancer in her lifetime[3].
- The average five-year survival rate for patients with non-metastasized breast cancer is 99 %, if there is metastasis within regional lymph nodes, 86 %, and 27 % where there is distant metastasis[4].

When it comes to the diagnosis of breast cancer, imagery-based screening is carried out and followed by a biopsy to confirm and evaluate the type of diagnosis. In the US, 1.5 million biopsies were performed in 2015[5]. At this stage, tests and histological markers can give oncologists more information about the nature of the tumor and spread.

Despite the advances in early detection and treatment gained over the last decades, metastatic breast cancer faces low survival rates, little long-term treatment options and the inability to accurately predict its onset. Detection of a cancer's metastatic potential before the metastasis process commences could lead to better-targeted treatment, better outcomes for patients and therefore, significant cost-savings.

MARKET DRIVERS AND BARRIERS

The global in-vitro diagnostic market is estimated at $83B USD and continues to grow, with large numbers of acquisitions and capital investment worldwide[6]. A study has found that 66% of treatment decisions were based on a diagnostic test while making up 2.3% of healthcare expenditure[7]. Tissue-based and molecular testing for cancer is a key driver in this grow, with the rate being 50% higher than the average growth across the sector[8]. Recently, companion diagnostics have been increasing with successful launches such as industry leader Roche's FoundationOne CDx.

Growth in the area of diagnostics is part of a greater trend of healthcare becoming personalized and moving towards precision medicine.

CellRACE is well-positioned to take advantage of this trend as it allows more information and better decision-making across highly prevalent and life-threatening conditions, starting with breast cancer.

Barriers to success on the market for CellRACE include the high costs associated with gaining regulatory approval and lack of uniformity across cancer care and testing worldwide. In addition, CellRACE will also need to validate the need and educate the market on how the results can be best utilized by healthcare practitioners for the benefit of patients.

COMPETITIVE LANDSCAPE

New diagnostic options that provide more information about the tumor are becoming available and growing rapidly. Some

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2 *GLOBOCAN. 2018 Graph production: IARC (http://gco.iarc.fr/today) World Health Organization*

3 *Grady, I., Vasquez, T., Tawfik, S. and Grady, S., 2017. Ultrasound-guided core-needle versus vacuum-assisted breast biopsy: a cost analysis based on the American Society of Breast Surgeons' Mastery of Breast Surgery Registry. Annals of surgical oncology. 24(3)*

4 *American Cancer Society. 2020. Cancer Facts & Figures 2020.*

5 *Grady, I., Vasquez, T., Tawfik, S. and Grady, S., 2017. Ultrasound-guided core-needle versus vacuum-assisted breast biopsy: a cost analysis based on the American Society of Breast Surgeons' Mastery of Breast Surgery Registry. Annals of surgical oncology. 24(3)*

6 *The Worldwide Market for In Vitro Diagnostic Tests, 13th edition, Kalorama Information, June 31, 2020, kaloramainformation.com.*

7 *The Worldwide Market for In Vitro Diagnostic Tests, 13th edition, Kalorama Information, June 31, 2020, kaloramainformation.com.*

8 *The Worldwide Market for In Vitro Diagnostic Tests, 13th edition, Kalorama Information, June 31, 2020, kaloramainformation.com.*

examples of tests that exist include genetic testing that provides a prediction of recurrence and metastasis, such as MammaPrint, OncoType Dx and Prosigna. However, as discussed above the tests on the market are lacking the ability to directly measure the metastatic potential and are often costly for the patient and healthcare system.

Some examples of live cell phenotype-based products in clinical development include US-based Cellanyx, which uses imaging to determine behavioral features of prostate tumor cells and Swiss company Artidis which is based on cell softness for breast cancer diagnosis and aggressiveness rating. However, a live cell behavioral assay for metastasis prediction is not yet on the market and Cline Scientific is unique in its utilization of its nature-mimicking gradient technology.

CellRACE, therefore, has an opportunity to be the first of its kind in the field of oncology diagnostics, provide a more accurate, cost-effective analysis of the metastatic potential of tumors, leading to better treatment and health for patients. The technology and product could be extended to other solid cancers in future, further widening the potential addressable market.

STEMCART MARKET

OSTEOARTHRITIS IN BRIEF

Cline Scientific's first stem cell-derived product will be marketed towards cartilage damage. Defects in joint cartilage can be caused in several ways, such as injury or osteoarthritis. Osteoarthritis (OA), also referred to as degenerative arthritis, is the most common form of the disease. The disease is caused by the breakdown of cartilage and most commonly affects the knees, hands, hips, and spine. Patients suffering from OA is often experiencing decreased mobility, joint stiffness and persistent pain. Additionally, as a consequence of the OA patient's decreased flexibility, the disease is also correlated with a direct economic burden for the patient and the health care system as a whole, but also an indirect economic burden for the society due to work disabilities for the patient.

Non-surgical options such as pain medication, intra-articular injections and lifestyle modifications only alleviate pain and are not able to slow or reserve the disease. When these options have been exhausted, the inflamed joint can be removed and replaced either partially or totally, such as with knee and hip replacements.

KEY FIGURES

- The disease is thought to affect nearly 10 % of the population worldwide, meaning approximately 774 million people currently suffer from the disease.
- Osteoarthritis has a tremendous cost to patients and society, with estimated cost to significant markets with a high incidence of OA reaching 0.5 % of national GDP[9].
- In the US, osteoarthritis is estimated to affect 32.5 million adults and expected to rise to 78.4 million by 2040 due to age and increasing obesity. In all, $486.4B USD is attributed to the direct (medicines, surgery, hospitalizations, treatments) and indirect (such as lost productivity, wages and caregiving) costs of osteoarthritis in the US[10].
- In Europe, osteoarthritis is estimated to affect over 40 million people[11] with a total (direct and indirect) weighted average cost per patient of €5k[12] leading to an estimated total cost to society of €200B.
- For OA of the knee, in particular, an estimated 9.3 million adults over 45 suffer from symptomatic knee osteoarthritis in the US[13]. Yearly direct costs of knee osteoarthritis in the US is $12,400 USD, with an average of 28.4 years spent with symptomatic knee osteoarthritis[14].

9 *Puig-Junoy J, Ruiz Zamora A,. Socio-economic costs of osteoarthritis: A systematic review of cost-of illness studies. Seminars in Arthritis and Rheumatism. 2015. 44(5):531–541*

10 *United States Bone and Joint Initiative: The Burden of Musculoskeletal Diseases in the United States (BMUS). Fourth Edition.*

11 *World Health Organization. The burden of musculoskeletal conditions at the start of the new millennium. 2003 Geneva*

12 *J.H. Salmon, A.C. Rat, J. Sellam, M. Michel, J.P. Eschard, et al. Economic impact of lower-limb osteoarthritis worldwide: a systematic review of cost-of-illness studies. Osteoarthritis and cartilage, Elsevier, 2016, 24 (9), pp.1500-1508.*

13 *Lawrence RC, Felson DT, Helmick CG, Arnold LM, Choi H, Deyo RA, et al. Estimates of the prevalence of arthritis and other rheumatic conditions in the united states. Part ii Arthritis Rheum. 2008*

14 *Losina E, Paltiel AD, Weinstein AM, et al. Lifetime medical costs of knee osteoarthritis management in the United States: impact of extending indications for total knee arthroplasty. Arthritis Care Res 2015.*

HIGH COST OF SEVERE OA TREATMENT NEEDING KNEE REPLACEMENTS

When looking to treatment for patients with severe knee OA, total knee replacements (TKR) are an increasingly used treatment option. This is in part due to the lack of effective non-surgical options as eventually the condition of patients' cartilage will deteriorate, and pain-relieving options are exhausted.

» In the US, over 600,000 total knee replacements are carried out totally over $36 billion[15].
» Similarly, there were over 580,000 total knee replacements performed in the EU[16] in 2014.

Due to the cost and risks of TKR combined with the lack of effective non-surgical options, there is, therefore, a large gap in the market for a disease impacting, joint preserving option. With a more effective targeted therapy such as StemCART, spending on direct costs of surgery as well as pain relief drugs and rehab therapy can be greatly reduced for both the patients, insurance companies and the health care systems.

An effective regenerative therapy such as StemCART is poised to capture significant value in this rising market segment.

MARKET DRIVERS AND BARRIERS

The market for a product such as StemCART is set to grow rapidly. OA is the fastest-growing cause of disability worldwide[17] and the worldwide prevalence of OA has been estimated to increase by 40 % by 2025. The increased prevalence can be explained by increased risk factors of OA in the world, such as an ageing population, joint injury, obesity and physical inactivity. All-age obesity increased by 26 % from 2000 to 2013, and physical inactivity increased by 20 % in the United States.

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Due to the cost and risks of TKR combined with the lack of effective non-surgical options, there is, therefore, a large gap in the market for a disease impacting, joint preserving option. With a more effective targeted therapy such as StemCART, spending on direct costs of surgery as well as pain relief drugs and rehab therapy can be greatly reduced for both the patients, insurance companies and the health care systems.

One barrier to success for such an innovative product includes the need to overcome the accepted surgical procedures in place in healthcare. Cline Scientific plans to overcome this by engaging with clinicians such as orthopedic surgeons early in the product development for input and alignment with clinical needs.

Another barrier is the concentrated market dynamics, the field being dominated by a few big players. Cline Scientific's strategy is, therefore, to find a partner in the form of a large player in the field in order to bring the product to market.

COMPETITIVE LANDSCAPE

Currently, there is no cure or disease-altering treatment drug developed for osteoarthritis, and such pharmacological solutions rely on pain medications and intraarticular injections. However, these are not long-term solutions as a patient's cartilage will continue to deteriorate.

Cartilage supplementing procedures such as autologous chondrocyte implantation, matrix-associated chondrocyte implantation (MACI®, Vericel) and juvenile cartilage allografts (De Novo® NT graft, Zimmer Biomet) have become available in the last two decades however they face limitations. Autologous cells must be removed, cleaned and reimplanted which is time-consuming and costly for patient. Harvesting of chondrocytes, either from the patient or donor, is inherently not scalable. Further, using fully differentiated chondrocytes limits the regenerative properties of the therapy.

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15 *Agency for Healthcare Research and Quality. Healthcare Cost and Utilization Project database. 2012.*
16 *Health at a Glance: Europe 2016: State of Health in the EU Cycle*
17 *Murray CJ, Vos T, Lozano R, et al. Disability-adjusted life years (DALYs) for 291 diseases and injuries in 21 regions, 1990–2010: a systematic analysis for the global burden of disease study 2010. Lancet, 2012. vol.*
18 *Agency for Healthcare Research and Quality. Healthcare Cost and Utilization Project database. 2012*
19 *Health at a Glance: Europe 2016: State of Health in the EU Cycle*

When it comes to stem cell-based therapies, there has only been approved in Asian markets such as Japan (JACC, Fujifilm) and South Korea (CARTISTEM®, Medipost). The most common cell that is used is Mesenchymal stem cells (MSCs), which are cells that have the ability to differentiate into several cell lineages, include chondrocytes. These cells are then injected into the knee. Many of products are also utilizing autologous cells sourced from the patient's knee or bone marrow and hence face the same challenges of scalability and invasiveness. Despite over 25 years of research and clinical trials, the treatment effectiveness is still uncertain, and limited products have made it to the market. Further, the use of undifferentiated MSCs has its risks and unknown effect as the cells are not chondrocytes and may not differentiate into functional cartilage.

Currently, there is not an allogenic iPSC-derived cartilage product on the market worldwide. The benefit of StemCART is derived from the ability to replicate and then replace cartilage tissue in the knee with chondrocytes without the need for donors or patient harvesting.

Secondly, the precision control of the cell development possible with Cline Scientific's gradient technology allows for cells with optimal functionality and healing properties to be selected for implantation.

StemCART has the opportunity to introduce a new type of regenerative medicine therapy for knee cartilage repair that overcomes the drawbacks of competing technologies.

Financial overview

The following section presents selected financial information in summary from Cline Scientific's unaudited interim report for the period January – March 2021 (with comparative figures for the same period the previous year) and the Company's audited annual reports for the financial year 2020 and 2019.

Income statements, balance sheets, cash flow analyses with accompanying notes and changes in equity and, where applicable, audit reports from these documents are incorporate this Company Description by reference.

The documents are available at

https://www.clinescientific.com/financial-reports.

No other information in the financial overview has been reviewed or audited by the Company's auditor, unless otherwise explicitly stated.

The Company's financial information has been prepared in accordance with the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)) and BFNAR 2012:1 Annual Reports and Consolidated Financial Statements (K3).

CONSOLIDATED INCOME STATEMENT

All amounts in SEK unless otherwise stated	**2021-01-01 - 2021-03-31**	**2020-01-01 - 2020-03-31**	**2020-01-01 - 2020-12-31**	**2019-01-01 - 2019-12-31**
	3 mo.	**3 mo.**	**12 mo.**	**12 mo.**
Operating income				
Net sales	-	55,196	116,583	282,819
Activated work for own account	-	-	2,400,000	2,450,000
Other operating income	1	-	310,431	-
Total operating income	*1*	***55,196***	***2,827,014***	***2,732,819***
Operating expenses				
Raw materials and consumables	-10,068	-6,324	-34,526	-182,590
Other external expenses	- 1,311,373	-766,484	-3,309,359	-3,276,069
Personnel expenses	-178,460	-286,722	-1,112,002	-1,034,497
Depreciation of tangible fixed assets	-6,129	-5,056	-17,637	-20,231
Other operating expenses	-	-	-	-55
Other operating expenses	***-1,506,030***	***-1,064,586***	***-4,473,524***	***-4,513,442***
Operating profit/loss	***-1,506,029***	***-1,009,390***	***-1,646,510***	***-1,780,623***
Profit from financial items				
Interest expenses	-	-	-192,807	-316,364
Total from financial items	-	-	*-192,807*	*-316,364*
Profit/loss after financial items	**-1,506,029**	**-1,009,390**	***-1,839,317***	***-2,096,987***
Tax on year's profit	-	-	-	-
Profit/Loss for the period	**-1,506,029**	**-1,009,390**	**-1,839,317**	**-2,096,987**

CONSOLIDATED BALANCE SHEET STATEMENT

All amounts in SEK unless otherwise stated	**2021-03-31**	**2020-03-31**	**2020-12-31**	**2019-12-31**
	3 mo.	**3 mo.**	**12 mo.**	**12 mo.**
Fixed assets				
Intangible fixed assets				
Balanced expenditure on development work	6,527,620	4,127,620	6,527,620	4,127,620
Patents	1,104,267	1,022,081	1,022,081	927,661
Total intangible fixed assets	***7,631,887***	***5,149,701***	***7,549,701***	***5,055,281***
Tangible fixed assets				
Inventory and tools	59,121	14,331	65,250	19,387
Total tangible fixed assets	***59,121***	***14,331***	***65,250***	***19,387***
Financial assets				
Shares in subsidiaries	50,000	50,000	50,000	-
Total financial fixed assets	***50,000***	***50,000***	***50,000***	***0***
Total fixed assets	**7,741,008**	**5,214,032**	**7,664,951**	**5,074,668**
Current assets				
Current receivables				
Accounts receivable	711,238	729,249	688,239	729,249
Other current receivables	278,504	468	70,057	211,763
Accrued income & prepaid expenses	235,088	49,795	165,022	112,641
Total current receivables	***1,224,830***	***779,512***	***923,318***	***1,053,653***
Cash and bank balances	***11,447,589***	***2,627,704***	***2,531,091***	***3,362,461***
Total current assets	**12,672,419**	**3,407,216**	**3,454,409**	**4,416,114**
TOTAL ASSETS	**20,413,427**	**8,621,248**	**11,119,360**	**9,490,782**

All amounts in SEK unless otherwise stated	**2021-03-31**	**2020-03-31**	**2020-12-31**	**2019-12-31**
	3 mo.	**3 mo.**	**12 mo.**	**12 mo.**
Shareholders' equity				
Restricted equity				
Share capital	1,545,274	844,111	1,244,748	844,111
Development expenditure fund	6,527,620	4,127,620	6,527,620	4,127,620
Total restricted capital	***8,072,894***	***4,971,731***	***7,772,368***	***4,971,731***
Unrestricted equity				
Profit/loss brought forward	-12,730,436	-7,909,543	-10,891,119	-5,812,556
Share premium fund	24,934,472	5,461,946	15,077,234	5,461,946
Profit/loss for the year	-1,506,029	-1,009,390	-1,839,317	-2,096,987
Total unrestricted equity	***10,698,007***	***-3,456,987***	***2,346,798***	***-244,597***
Total shareholders' equity	**18,770,901**	**1,514,744**	**10,119,166**	**2,524,134**
Long-term liabilities				
Other long-term liabilities	814,928	814,928	814,928	814,928
Total long-term liabilities	***814,928***	***814,928***	***814,928***	***814,928***
Current liabilities				
Accounts payable	798,890	656,969	160,653	385,102
Other current liabilities	28,708	-87,476	24,613	44,535
Short-term loan liabilities	-	5,500,000	-	5,500,000
Accrued expenses and prepaid revenues	-	222,083	-	222,083
Total current liabilities	***827,598***	***6,291,576***	***185,266***	***6,151,720***
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**20,413,427**	**8,621,248**	**11,119,360**	**9,490,782**

CONSOLIDATED CASH FLOW STATEMENT

All amounts in SEK unless otherwise stated	**2021-01-01 - 2021-03-31**	**2020-01-01 - 2020-03-31**	**2020-01-01 - 2020-12-31**	**2019-01-01 - 2019-12-31**
	3 mo.	**3 mo.**	**12 mo.**	**12 mo.**
Ongoing business				
Operating profit	-1,506,029	-1,009,390	-1,646,510	-1,780,623
Depreciation	6,129	5,056	17,637	20,231
Cash flow from operating activities before interest and income taxes paid	-1,499,900	-1,004,334	*-1,628,873*	*-1,760,392*
Received interest	-	-	-	-
Paid interest	-	-	-192,807	-316,364
Cash flow from operating activities before changes in working capital	**-1,499,900**	**-1,004,334**	**-1,821,680**	**-2,076,756**
Cash flow from changes in working capital				
Increase in operating receivables	-301,512	-	-	-182,464
Decrease in operating receivables	-	274,141	130,335	-
Increase in operating liabilities	642,332	139,856	-	315,816
Decrease in operating liabilities	-	-	-466,454	-
Cash flow from operating activities	**-1,159,080**	**-590,337**	**-2,157,799**	**-1,943,404**
Investing activities				
Acquisition of intangible fixed assets	-82,186	-94,420	-2,494,420	-2,495,964
Acquisition of tangible fixed assets	-		-63,500	-
Acquisition of financial fixed assets	-	-50,000	-50,000	-
Cash flow from investing activities	**-82,186**	**-144,420**	**-2,607,920**	**-2,495,964**
Financing activities				
New share issue	**10,157,764**	-	**10,015,925**	-
Issue costs	-	-	-581,576	-
Raised loans	-	-	-	5,500,000
Amortization of debt	-	-	-5,500,000	-12,100
Cash flow from financing activities	10,157,764	0	**3,934,349**	**5,487,900**
Cash flow for the year	**8,916,498**	**-734,757**	**-831,370**	**1,048,532**
Liquid funds at start of year	**2,531,091**	**3,362,461**	**3,362,461**	**2,313,929**
Liquid funds at end of year	**11,447,589**	**2,627,704**	**2,531,091**	**3,362,461**

Period on period comparisons

COMPARISON BETWEEN THE FULL YEAR 2019 AND 2020

OPERATING INCOME

Net sales drops from 283 TSEK in 2019 to 117 TSEK in 2020. Activated work for own account drops with 50 TSEK between the years. During 2020, the Company has received 310 TSEK in contribution from the state related to short time work caused by Covid 19. In total the operating income increases with 100 TSEK from 2.7 TSEK in 2019 to 2.8 TSEK in 2020.

OPERATING EXPENSES

The operating expenses are on the same level 2020 compared to 2019, 4.5 MSEK.

OPERATING PROFIT/LOSS

The operating loss in 2019 was -1.8 MSEK compared to -1.6 MSEK in 2020 which relates to the contribution for Covid 19 mentioned above under operating income.

LIQUIDITY

At the end of 2020 the Company had 2.5 MSEK in cash available compared to 3.4 MSEK at the end of 2019.

EQUITY/ASSETS RATIO

The Company's equity/assets ratio increases from 26.6 % at the end of 2019 to 91.0 % at the end of 2020. A new share issue in 2020 and an amortization of a bridge loan at the same time has given the positive effect on the equity/assets ratio compared to 2019.

COMPARISON BETWEEN THE FIRST QUARTER OF 2020 AND THE FIRST QUARTER OF 2021

OPERATING EXPENSES

The operating expenses in the first quarter 2021 are 441 TSEK higher compared to the same period in 2020 and relates to consultant services for listing costs and new share issue.

OPERATING PROFIT/LOSS

The operating loss in the first quarter 2021 was -1.5 MSEK compared to -1.0 MSEK in 2020 which relates to higher other external expenses in the first quarter 2021 compared to the first quarter 2020.

LIQUIDITY

At the end of the first quarter 2021 the Company had 11.4 MSEK in cash available compared to 2.6 MSEK at the end of the first quarter 2020. This relates to the new share issue in the second quarter 2020 and the first quarter 2021.

EQUITY/ASSETS RATIO

The Company's equity/assets ratio increases from 17.6 % at the end of the first quarter 2020 to 92.0 % at the end of the first quarter 2021. A new share issue in the second quarter 2020 and the first quarter 2021 combined with an amortization of a bridge loan in the second quarter 2020 has given the positive effect on the equity/assets ratio in the first quarter 2021 compared to the first quarter 2020.

SIGNIFICANT EVENTS AFTER MARCH 31, 2021

There have been no significant events after the most recent quarterly report for the period January – March 2021 was published.

DIVIDEND POLICY

No dividends have been paid out by the Company previous financial years. The Company is currently in a development phase and potential surplus is planned to be invested in the development of the Company.

WORKING CAPITAL STATEMENT

It is the Board of Directors assessment that the existing working capital as per the date of the Company Description is sufficient to meet the Company's working capital needs for the coming twelve-month period.

EQUITY AND NET DEBT

The Company's indebtedness as of March 31, 2021.

MSEK	**2021-03-31**
Current debt	
Guaranteed	-
Secured	-
Unguaranteed/Unsecured	0.8
Total current debt	0.8
Non-current debt	
Guaranteed	-
Secured	-
Unguaranteed/Unsecured	0.8
Total non-current debt	0.8
Equity	
Share capital	1.2
Reserve fund	-
Other reserves	17.6
Total equity	18.8

MSEK	**2021-03-31**
A) Cash	11.4
B) Cash equivalents	-
C) Trading securities	-
D) Liquidity (A+B+C)	11.4
E) Current financial receivables	1.2
F) Current bank debt	-
G) Current portion of non-current debt	-
H) Other current financial debt	0.8
I) Other current financial debt (F+G+H)	-
J) NET CURRENT FINANCIAL INDEBTEDNESS (I-E-D)	-11.8
K) Non-current bank loans	-
L) Bonds issued	-
M) Other non-current financial debt	0.8
N) Non-current financial indebtedness (K+L+M)	-
O) NET FINANCIAL INDEBTEDNESS (J+N)	-11

Board of Directors, executive management and auditor

THE BOARD OF DIRECTORS

Cline Scientifics's Board of Directors is comprised of four ordinary members, including the Chairman of the Board of Directors, without deputies. All of the members of the Board of Directors have been elected for one year, up until the end of the annual general meeting 2021. The table below set forth the members of the Board of Directors, when first elected to the Board of Directors and whether they are independent of the Company, its executive management and/or the major shareholders of the Company, and their respective shareholdings in the Company.

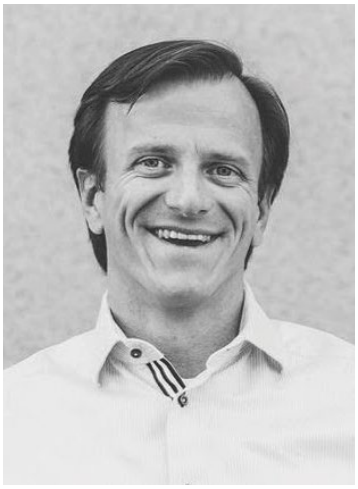
			Independent of		
Name	Position	Member since	the Company and executive management	the major shareholder	Shareholding in the Company (including through related parties)
Torleif Möllerström	Chairman	2018	Yes	Yes	20,000 B-shares
Christopher Steele	Member	2018	Yes	Yes	29,205 B-shares
Patrik Sundh	Member	2019	No	No	456,333 A-shares and 2,052,337 B-shares
Johan Bjurquist	Member	2021	No	Yes	30,000 B-shares
Mattias Andrup	Member	2021	Yes	Yes	-

TORLEIF MÖLLERSTRÖM

BORN 1953. CHAIRMAN OF THE BOARD OF DIRECTORS, ELECTED 2018

Torleif Möllerström is a trained business economist. During his career, he has focused on leadership development and business management, with broad experience from international companies involved in both manufacturing and services. He has previously been the CEO of Medical Log Point AB, OneMed Homecare AB, Tamro Healthcare AB and Tamro Lab AB. Also deputy CEO of Bulten AB. Currently principal owner and CEO of AST Medical AB.

Shareholding in the Company (including through related parties): 20,000 B-shares.



CHRISTOPHER STEELE

BORN 1982. BOARD MEMBER, ELECTED 2018

Christopher Steele holds a bachelor's degree from Indiana University, USA, and a master's degree from the University of Gothenburg in intellectual capital management (business creation and entrepreneurship). Christopher has previously worked with business development and sales in several young growth companies that built their business on innovative products and services, including Klarna and Heliospectra. Today Christopher is head of commercial operations at Luxbright, a company that is developing an innovation in the X-ray industry based on nanotechnology.

Shareholding in the Company (including through related parties): 29,205 B-shares.

PATRIK SUNDH

BORN 1965. BOARD MEMBER ELECTED 2012 AND CEO SINCE 2013

Patrik Sundh has a background as a biochemist and researcher in the cardiovascular field but has spent the last 20 years in senior positions in the Life Science industry. Among other posts, Patrik has been a product manager at AB Labassco, and market manager and Nordic market manager at Tamro Oy. Patrik was business area manager at NovAseptic AB and NovAseptic America and was for three years Director North America at Millipore Corporation. Patrik is the owner of Rebiella AB, through which he is hired by the Company as CEO.

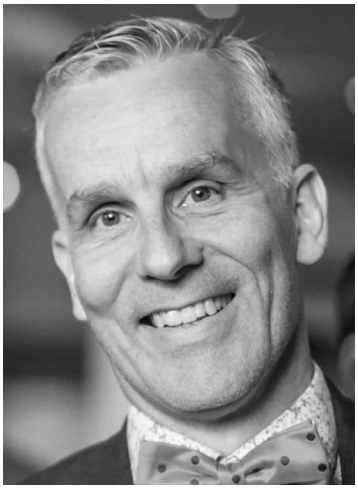
Shareholding in the Company (including through related parties): 456,333 A-shares and 2,050,756 B-shares.

JOHAN BJURQUIST

BORN 1967. BOARD MEMBER ELECTED 2021

Johan Bjurquist has an extensive background in sales and marketing with more than 20 years in both global and local organizations. Johan has worked as a Nordic Sales Manager at D.O.R.C. Scandinavia AB, global product manager at Mölnlycke Health Care AB, and Business Director at NovAseptic AB (Millipore). He previously served on the Board of Directors of the Company and was the CEO of Liv Diagnostics AB until its acquisition by the Company in January 2020. He is currently the Nordic Sales & Marketing Manager / COO of Medilens Nordic AB.

Shareholding in the Company (including through related parties): 30,000 B-shares



MATTIAS ANDRUP

BORN 1961. BOARD MEMBER ELECTED 2021

Mattias Andrup is an experienced director of medical affairs with a demonstrated history working in the pharmaceuticals industry. Mattias has a pharmacist degree from Uppsala University and has strong competence across healthcare services including quality affairs, regulatory affairs and pharmacovigilance for medical devices, clinical trials, and the pharmaceutical industry. Mattias has previously been Nordic Marketing Manager of Bayer Pharmaceuticals Division, Product Manager at Knoll Läkemedel AB and Quality and Environmental Manager at Meda AB. He is currently the director of Medical Affairs for ABIGO Medical AB.

Shareholding in the Company (including through related parties): -

Executive management and key employees

The Company's executive management is comprised of four members. The table below set forth the members of the executive management and the key employees of the Company, their positions and their respective shareholdings in the Company.

Name	Position	Shareholding in the Company (including through related parties)
Patrik Sundh	CEO	456,333 A-shares and 2,052,337 B-shares
Hanne Evenbratt	Director of Product Development	16,000 A-shares and 253,700 B-shares
Håkan Bengtsson	CFO	-

PATRIK SUNDH

BORN 1965. CEO SINCE 2013.

See page 32 under "Board of Directors" for more information about Patrik Sundh.

HANNE EVENBRATT

BORN 1980. DIRECTOR OF PRODUCT DEVELOPMENT SINCE 2014

Hanne Evenbratt is a Doctor of Pharmaceutical Technology from Chalmers University of Technology. With a background in skin research at the Dermatologist unit, Sahlgrenska University Hospital. Hanne has worked at AstraZeneca, and her focus has always been on pharmaceuticals and life science. Hanne is responsible for products and production development at Cline Scientific AB. She also runs her own consulting company, Formu Consulting AB, through which she is hired by the Company as Director of Product Development.

Shareholding in the Company (including through related parties): 16,000 A-shares and 252,700 B-shares through companies.

HÅKAN BENGTSSON

BORN 1963. CHIEF FINANCIAL OFFICER SINCE 2018

Håkan Bengtsson is responsible for financial and administrative matters. Håkan has a Master of Business Administration from the Gothenburg School of Economics with extensive experience in management, finance and HR in unlisted and listed companies, including CFO / HRM in Heliospectra AB (publ). He also serves as Chairman of the board and CEO of Klamcon AB, Chairman of the board of Metapia Consulting AB and board member of Assist Elkonsult AB and Bra Sommarmöbler in Göteborg AB. Håkan is the owner of Klamcon AB, through which he is hired by the Company as CFO.

Shareholding in the Company (including through related parties): –

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTORS

There are no family ties between the members of the Board of Directors or the executive management.

Except for what is stated in section "*Legal consideration and supplementary information*" below, there are no conflicts of interests between the obligations of members of the Board of Directors and executive management of the Company and their private interests and/or other undertakings.

Torleif Möllerström is a member of the board of directors of Medic24 AB, Reg. No 556493-6234. Medic24 AB has filed an own petition for bankruptcy. The District Court of Gothenburg declared Medic24 AB in bankruptcy on the 31st of August 2020. The bankruptcy is not yet concluded.

Except for what is stated above, during the last five years, none of the members of the Board of Directors or the members of the executive management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) been the subject to accusations and/or sanctions by any agency authorized by law or regulations (including approved professional organizations), or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position of any company.

All members of the Board of Directors and the members of the executive management are available at the Company's address at Argongatan 2C, 431 53 Mölndal, Sweden.

AUDITOR

The Company's registered auditor Stefan Kylebäck, State Authorized Public Accountant, was elected on 26 February 2020. The auditor's office address is Blänkfyrsvägen 8, 423 40 Torslanda, Sweden. The Company's registered deputy auditor since 26 February 2020 is Markus Hellsten, State Authorized Public Accountant with the account firm Ernst & Young AB.

Share capital and ownership structure

INFORMATION ABOUT THE SHARE

The share capital of Cline Scientific amounts to 1,545,273.70 SEK among 15,452,737 shares of which 722,333 are Series A and 14,730,404 are Series B. Nominal value is 0.10 SEK.

Each share carries equal rights to a share in Cline Scientific's assets and earnings. Series A shares give entitlement to ten (10) votes and Series B shares to one (1) vote. Shareholders in the Company have preferential rights in connection with share issues, in proportion and kind, to existing holdings. In order to change the shareholders' rights in the Company, a resolution is required by a qualified majority at a general meeting of shareholders. No share certificates are issued with respect to the shares.

The shares are established under Swedish law and denominated in Swedish kronor.

SHARE REGISTER

The Company's share register is managed by Euroclear Sweden AB, Box 191, 101 23 Stockholm, (formerly VPC), which registers the shares of the person holding the shares. All transactions in the Company's shares are carried out electronically through competent banks and securities nominees. Shares that are newly issued will be registered in person in electronic form.

TRADING DENOMINATION

The trading name for the Company's B shares is CLINE B. The ISIN code for the share is SE0006758231. The CFI code is ESVUFR and FISN code is CLINESCIEN / SH.

LIQUIDITY PROVIDER

Pareto Securities AB acts as liquidity provider for the Company's class B shares.

SHARE DIVIDEND

All shares have equal rights to dividends. Anyone who is entered on the record date, in the share register or in the list in accordance with Chapter 5, Section 11 of the Swedish Companies Act (2005:551), shall be deemed to be entitled to receive a dividend, and in the event of a bonus issue to receive new shares accruing to shareholders, and to exercise the shareholder's preferential right to participate in the issue.

In the event that any shareholder cannot be reached through Euroclear (VPC), her or his claim on the dividend amount remains in place and is limited only by statute of limitations. Upon expiry of the limitation, the dividend is accrued to the Company.

There are no restrictions on dividends or special procedures for shareholders residing outside Sweden and payment is made via Euroclear (VPC) in the same way as for shareholders residing in Sweden. However, for shareholders who are not tax resident in Sweden, normal Swedish coupon tax is payable.

OTHER INFORMATION ABOUT THE SHARE

The Company's shares may be freely transferred to another party. The shares are not subject to an offer made as a result of a mandatory bid, redemption right or redemption obligation. Nor has the Company's share been subject to a public takeover offer during the current or previous financial year.

CONVERTIBLES, WARRANTS, INCENTIVE PROGRAMS ETC.

As per the date of this Company Description, the Company has no outstanding convertibles, warrants or other share-related instruments or incentive programs.

SHAREHOLDERS OF CLINE SCIENTIFIC AS OF MAY 26, 2021

The table below set forth the ownership structure of Cline Scientific as per May 26 2021.

Shareholder	Total A-shares	Total B-shares	Share of capital, %	Share of votes, %
Patrik Sundh*	456,333	2,052,337	16.23 %	30.13 %
MKD Group AB	250,000	1,972,625	14.38 %	20.37 %
Stiftelsen Chalmers Tekniska	-	863,076	5.59 %	3.93 %
Other shareholders	16,000**	9,842,366	63.80 %	45.57 %
TOTAL	**722,333**	**14,730,404**	**100 %**	**100 %**

** Patrik Sundh's shareholding post includes the shareholding in the Company of his wholly owned company Rebiella AB. Rebiella AB holds 456,333 A-share and 2,050,756 B-shares, corresponding to 16.22 % of the share capital and 30.12 % of the votes in the Company. The presented holding of Patrik Sundh also include nominee-registered shares through Avanza Bank AB, amounting to 1,581 B-shares, corresponding to 0.01 % of the share capital and 0.01 % of the votes in the Company.*

*** The remaining 16,000 A-shares in the Company are held by Formu Consulting AB, a wholly owned company by Hanne Evenbratt, the Company's Director of Product Development.*

DEVELOPMENT OF THE SHARE CAPITAL

The table below summaries the historic developments of the share capital and shares in the Company since the Company was established in 2011.

Year	Event	Increase in shares	Total no. of shares after the transaction	Increase in share capital	Total share capital after the transaction	Nominal value
2011	Formation of the Company	+5,000	50,000	50,000	50,000	1.00
2011	New share issue	+50,000	100,000	50,000	100,000	1.00
2014	New share issue	+16,000	116,000	16,000	116,000	1.00
2015	Bonus issue	+464,000	580,000	464,000	580,000	1.00
2015	Split (10:1)	+5,220,000	5,800,000	0	580,000	0.10
2015	New share issue	+1,700,000	7,500,000	1,700,000	750,000	0.10
2018	New share issue	+941,112	8,441,112	941,111.20	844,111.20	0.10
2020	New share issue	+4,006,370	12,447,482	400,637	1,244,748.20	0.10
2021	Warrant	+3,005,255	15,452,737	300,525.50	1,545,273.70	0.10

In all new issues, the issued shares have been paid in full with cash.

Share issue May 2020 and warrants in March 2021: The share issue in May 2020 provided the Company with approximately SEK 10 million (2.50 SEK per Unit). The warrants in March 2021 provided the Company with a further SEK 10.1 million (3.38 SEK per warrant). These share issues were conducted in order to accelerate the next phase of the Company's development by financing the laboratory and clinical work for Cline Scientific's two development projects.

Legal considerations and supplementary information

GENERAL COMPANY INFORMATION

Cline Scientific AB, Reg. No 556867-8238, is a Swedish limited liability company incorporated on September 26, 2011, and registered with the Swedish Companies Registration Office on October 14, 2011. The Company is based in Mölndal, Sweden. The Company's Shares are admitted to trading on Spotlight Stock Market since March 30, 2015, and is traded under the short name (ticker) CLINE B. The Company has applied for its Shares to be admitted to trading on Nasdaq First North and the first day of trading is expected to be June 14, 2021.

Cline Scientific is the parent company of Liv Diagnostics AB, Reg. No 559208-7034. On the 5th of February 2021, the Company resolved that Liv Diagnostics AB shall be merged into the Company pursuant to Chapter 23, section 28 of the Swedish Companies Act (2005:551). The Swedish Companies Registration Office has on the 12th of March 2021 registered a merger plan for the described merger. In accordance with the registered merger plan, Liv Diagnostics AB shall be dissolved as soon as the Swedish Companies Registration Office has registered the resolution approving implementation of the merger plan, which is anticipated to occur within three to four months of the date of merger plan, i.e. as from the 5th of February 2021. No separate fees shall be paid to the board of directors of Liv Diagnostics AB as a result of the merger. The merger is carried out for organizational reasons.

Furthermore, as per February 23, 2021, the Company's wholly-owned subsidiary Cline Scientific Inc, Reg. No 36-3387450, has been dissolved by registration of the State of Delaware, U.S.

CERTIFIED ADVISER

The Company's certified adviser is Redeye AB, Mäster Samuelsgatan 42, 103 87 Stockholm. The certified advisor does not hold any shares in the Company.

MATERIAL AGREEMENTS

PURCHASE AGREEMENT RELATING TO THE DEVELOPMENT PROJECT CELLRACE

In November 2019, Cline Scientific signed an agreement with Liv Diagnostics AB (today renamed to Vaka Förvaltning AB) regarding the acquisition of the intellectual property rights and know-how relating to the development project CellRACE. The transaction was structured by way of the seller first transferring the relevant assets including intellectual property rights to a newly established wholly-owned subsidiary and Cline Scientific then acquiring all of the shares in the aforementioned subsidiary. The subsidiary was renamed to Liv Diagnostics AB in connection with the transaction. The transaction with Liv Diagnostics AB was a related party transaction since Patrik Sundh, the Company's CEO and member of the Board of Directors, Hanne Evenbratt, the Company's Director of Product Development, Christopher Steele, Mattias Andrup and Johan Bjurquist, being members of the Board of Directors of the Company, were at the time of the transaction minority shareholders of the seller (further information under "Related party transactions" below). In accordance with the purchase agreement, if the Company were to, within eight (8) years as of January 2, 2020, divest the shares of Liv Diagnostics AB, its business or the intellectual property rights relating to the project CellRACE, to a third party (not being a member of the Company's group), the seller of Liv Diagnostics AB, i.e. Vaka Förvaltning AB, shall be entitled to twenty (20) per cent of the resale consideration received by the Company for the divestment. Royalties or similar compensation paid to the Company that are connected to licensing of the intellectual property rights relating to the CellRACE project shall not be included when calculating such resale consideration. For the avoidance of doubt, it should be noted that the on-going merger of Liv Diagnostics AB into the Company does not trigger such excess fee described above.

RESEARCH AND COLLABORATION AGREEMENT WITH ASTRAZENECA AB

In January 2021, the Company entered into a research and collaboration agreement with AstraZeneca AB, according to which a Ph.D. student at AstraZeneca AB shall perform scientific research related to improvement of PSC differentiation to arterial and venous endothelial cells using Cline Nanogradient surfaces, i.e. Cline slides, and the Company's method for stem cell differentiation using such slider. The collaboration is part of the multi-country European MS-CA-ITN network. The research and collaboration agreement shall continue until the later of December 31, 2021, or the completion of the research activities performed under the agreement. However, AstraZeneca AB has the right to terminate the agreement for any reason or no reason upon thirty (30) days' written notice to the Company. The Company is not compensated by AstraZeneca AB for the usage of the Company's technology in the research performed under the research and collaboration agreement.

RELATED PARTY TRANSACTIONS

As described above under "Material agreements" Patrik Sundh, the Company's CEO and member of the Board of Directors, Hanne Evenbratt, the Company's Director of Product Development, Christopher Steele, Mattias Andrup

and Johan Bjurquist, members of the Board of Directors of the Company, are minority shareholders of Vaka Förvaltning AB, a company that has the right to receive twenty (20) per cent of any future the resale consideration received by the Company for the divestment of the intellectual property rights relating to the project CellRACE.

The Company's CEO, Patrik Sundh, operates indirectly through his wholly-owned company Rebiella AB through a consultancy agreement with the Company. The consultancy fees amounted to SEK 895,000 during the financial year 2020 and SEK 910,000 during the financial year 2019. For the period January – March, 2021, the consultancy fees have amounted to SEK 695,000. The amounts include social costs and other benefits.

The Company's Director of Product Development, Hanne Evenbratt, operates indirectly through her wholly-owned company Formu Consulting AB through a consultancy agreement with the Company. The consultancy fees amounted to SEK 566,000 during the financial year 2020 and SEK 531,000 during the financial year 2019. For the period January – March, 2021, the consultancy fees have amounted to SEK 146,000. The amounts include social costs and other benefits.

The Company's CFO, Håkan Bengtsson, operates indirectly through his wholly-owned company Klamcon AB through a consultancy agreement with the Company. The consultancy fees amounted to SEK 148,000 during the financial year 2020 and SEK 72,000 during the financial year 2019. For the period January – March, 2021, the consultancy fees have amounted to SEK 100,000. The amounts include social costs and other benefits.

INTELLECTUAL PROPERTY RIGHTS AND PROTECTION

Cline Scientific works continually to actively protect its innovations, know-how, intellectual property and trade secrets which emerge during the Company's research and product development. To protect such innovations and intellectual property, the Company primarily uses the protection of patents.

The current patent portfolio consists of patents that are approved in a number of markets, as stated below. The patents protect the core method of creating the unique nanogradient and the results of the procedure. New patents that cover the uses and therapies that result from the use of Cline Scientific's nanogradients have and will be continued to be filed.

Most of the costs for the patent portfolio are already covered by the Company. No license to any of the patents has been granted to any third party.

Registered patents					
Patent title	**Relating to Company project**	**Number**	**Expiration**	**Territorial scope**	**Type of patent**
Method of making a surface with a controlled coverage of nanoparticles	All present and future projects	SE535087C2	2030	Sweden	Method and product
	All present and future projects	CN103180055B	2031	China	Method
	All present and future projects	US9566604B2	2035	U.S.	Method
	All present and future projects	JP6114192	2031	Japan	Method
	All present and future projects	EP2608896B1	2031	Europe (EPO)	Method and product
	All present and future projects	IN 303660	2031	India	Method and product
Formation of the gradient surfaces	All present and future projects	JP 6462746	2031	Japan	Product
	All present and future projects	US 10274415 B2	2031	U.S.	Product

Patent applications						
Patent title	**Relating to Company project**	**Publication no**	**Application date**	**Application no**	**Territorial scope**	**Type of patent**
Method of making a surface with a controlled coverage of nanoparticles	All present and future projects	WO2012/025576	24 August 2011	PCT/ EP2011/064582	International	Method and product
Method for chondrocyte differentiation	StemCART	Not yet public	28 February 2021	20160158.0	Europe (EPO)	Method
Method for providing a cartilage implant with chondrocytes	StemCART	Not yet public	25 February 2021	Application in 2021	International	Method
Device for quantification of cell migration and metastatic potential of tumor cells	CellRACE	Not yet public	10 March 2021	Application in 2021	Europe (EPO)	Method

The first patent applications for the StemCART and CellRACE have been filed in 2020 and 2021, respectively, giving the products long patent protection periods in addition to the data and market exclusivity extended after approval on various markets. Furthermore, subsequent patents protecting other aspects of the products will be continued to be developed and filed in the future.

Other non-patent intellectual property assets also play an important role to the commercialization and licensing of the Company's two clinical projects. Examples include chondrocyte-derived iPS cell lines and associated methods used to create the cartilage therapy in the StemCART project and the software / measurement algorithms created for the quantification of tumor cell metastatic potential in the CellRACE project.

OTHER INTELLECTUAL PROPERTY RIGHTS

Cline Scientific is the registered owner of the domain name clinescientific.com. Other than the abovementioned patents and domain name, the Company is not the owner of any other intellectual property rights, such as trademarks (entailing that the Company's names of the projects and products, StemCART and CellRACE, are not protected trademarks of the Company).

CONFLICT OF INTERESTS

In addition of Patrik Sundh being the Company's CEO and member of the Board of Directors, Hanne Evenbratt being the Company's Director of Product Development, Christopher Steele and Johan Bjurquist being members of the Board of Directors of the Company, they are all minority shareholders of Vaka Förvaltning AB, a company that has transferred patent and invention rights to the Company as described above under "Material agreements". Patrik Sundh, Hanne Evenbratt, Christopher Steele, Mattias Andrup and Johan Bjurquist did not take part in the general meeting of Vaka Förvaltning AB during which it was resolved to divest Liv Diagnostics AB (including the intellectual property rights relating to the project CellRACE) to Company.

Apart from the above, there are no conflicts of interest or potential conflicts of interests between the obligations of members of the Board of Directors and executive management of the Company and their private interests and/or other undertakings. However, as stated in section "Board of Directors, executive management and auditor" above, certain members of the Board of Directors and the executive management have certain financial interests in the Company through their respective shareholdings in the Company.

INSURANCES

Cline Scientific holds customary insurances for the protection and insurance of its personnel, Board of Directors, CEO, assets and other interest of the Company. It is the Company's assessment that Cline Scientific's insurance

protection is satisfactory with respect to the nature and extent of the Company's operations. As per the date of this Company Description, there are not insurance claims for the Company.

DISPUTES

Cline Scientific is not and has not during the last twelve months as of the date of this Company Description been a party to any legal proceedings or arbitration proceedings (including unresolved cases) that have had or could have material effects on the Company's financial position or profitability. Cline Scientific's Board of Directors is also not aware of any circumstances that could lead to any such legal proceedings or arbitration proceedings arising.

Definitions/Glossary

Term	Definition
510(k) premarket notification	A 510(k) is a premarket submission made to USA FDA, to demonstrate that the device to be marketed is safe and effective.
Advanced therapy medicinal product (ATMP)	A medicine for human use that is based on genes, cells or tissue engineering.
Allogeneic	Cells or tissues derived from the same species but taken from different individual donor or donors.
Autologous	Cells or tissue that is collected from a patient and later given back to that individual.
Class II medical device	A US FDA classification class for medical devices which covers 43% of medical devices. They are considered moderate to high risk.
Clinical trials	Clinical trials are research studies in humans that evaluate the safety and efficiency of interventions such as drugs or medical devices. See “Phase I - Phase II - Phase III” below.
Ex vivo	Means outside the organism. Ex vivo testing involves experimentation on tissue from a patient in an external environment mimicking natural conditions.
Gradient nanoparticular surfaces	Cline Scientific proprietary method of creating surfaces with nanoparticles to create a precise surface-bound gradient.
Histopathology	The examination of processed tissue, such as a biopsy or surgical specimen, under a microscope by pathologists, often to determine diagnosis. In cancer, histopathology is used to determine how abnormal cancer cells and tissues look, determining tumor grade.
Horizon 2020	The largest EU funding program for research and innovation. Projects, researchers and SMEs can submit grant applications to gain access to funding.
In vitro	A test performed in vitro “in glass” means it is done outside the organism. Often in vitro testing is an early step of safety evaluations and also forms the basis of many diagnostic products.
Induced pluripotent stem cells	Pluripotent cells (Stem cells) that have been derived from somatic cells by reprogramming the mature cells through genetic changes.
Metastasis	The process where a primary tumor spreads to other secondary sites in the body, forming metastases.
Osteoarthritis (OA)	The most common form of arthritis, which is inflammation of the joints. OA is caused by degeneration of joint cartilage and underlying bone over time.

Term	Definition
Phase I - Phase II - Phase III	Clinical trials are split into different stages to test in different ways. Phase I aims to determine if the treatment is safe, Phase II aims to determine if the treatment works and Phase III is the largest study to determine if the product offers a treatment benefit to the patient population. Trial can often be combined such as in a Phase I/IIa transitional study which both evaluates safety and early efficiency of the treatment.
Pilot study	A small scale primarily study carried out in preparation for a larger study.
Preclinical stage	The stage of research before clinical trials in which product feasibly, safety and iterative testing is carried out.
Proof of concept	Proof of concept aims to validate a product or treatment before commercialization / clinical development phases.
Stem cells	Stem cells are undifferentiated or partially differentiated cells that have the capacity to various types of cell types indefinitely. They can either be embryonic (ESCs), adult stem cells (sourced from for example bone marrow) or induced from somatic cells to be stem cells (iPSCs).

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