

**DISCIPLINARY COMMITTEE AT  
SPOTLIGHT STOCK MARKET**

DECISION

2023-05-22

Spotlight Stock Market  
CS Medica A/S

**Decision**

The Disciplinary Committee orders CS MEDICA A/S to pay a fine to Spotlight Stock Market amounting to SEK 75 000.

**Referral etc.**

The Disciplinary Committee at Spotlight Stock Market ("Spotlight") has from Spotlight received a written request that the Disciplinary Committee shall decide on a penalty regarding CS MEDICA A/S ("CS MEDICA" or the "Company") for breaching Spotlight's regulations.

The Company has commented on Spotlight's referral in writing. At a meeting with the Disciplinary Committee on April 13, 2023, Spotlight was represented by Peter Nylén and Martin Floberg, and the Company was represented by Gitte Lund Henriksen. The Company made additional comments at the meeting, and has after the meeting submitted an insider list (log book), on which Spotlight had no further comments.

**Background**

The Company is listed on Spotlight since September 14, 2021. As a listed company, the Company is obliged to follow Spotlight's Regulations (hereinafter "the Regulation").

*Spotlight* has substantially stated the following:

In the ongoing monitoring of the Company's disclosure of information, Spotlight has made certain observations.

***Direct Issue***

On August 16, 2022 at 16:00 the Company held an Investor webinar. At approximately 35 minutes into the webinar the Company announced: "*We have several negotiations running*

*where we try to secure a direct issue, our share price goal is currently 31,5 DKK in order to not dilute existing shareholders.”*

Prior to this webinar, on August 12, 2022, the Company’s COO & CFO Gitte Lund Henriksen had a phone call with Spotlight’s surveillance department regarding the upcoming webinar. At this phone call the Company was informed that they needed to be very careful at this webinar and not present any new information that had not already been announced in a press release or quarterly report.

On August 18, 2022, at 16:37 the Company announced a clarifying press release “CS MEDICA intensifies their discussions with potential investors regarding a Direct Issue, on a share price goal of 31,50 DKK” in which the Company commented on these ongoing negotiations. In this press release the Company referred to what was mentioned at the webinar and stated that “the company intensifies their focus on finalizing a Direct Issue, with a share price goal of 31,50 DKK per share.”

In connection with the publication of the press release the Company was in contact with the surveillance department at Spotlight who’s initial opinion was that this information should not be published since there were several uncertainties regarding the details of these negotiations. However, when it became clear that these negotiations had been mentioned at the webinar two days earlier and hence there was an information asymmetry in the market the advice was to publish the press release since it was considered a leakage press release.

On August 25, 2022, at 17:59 the Company disclosed the press release “CS MEDICA A/S signs LoI with investor about a directed issue of 60 MDKK at a share price of DKK 31,50 per share”. In this press release the Company referred to the press release from August 18, 2022, and the investor was Heilongjiang FuYu ShengKun Textile Industry Co. Ltd.

On September 29, 2022, at 18:14 the Company disclosed the press release “CS MEDICA A/S signs second LoI with investor about a directed issue of 60 MDKK shares at a share price of DKK 31,50 per share”. In this press release the Company referred to the press release from August 18, 2022, and the investor was Mongolia Rong Shi Hi-Tech Co. Ltd.

In addition to the disclosed negotiations, the Company disclosed that it was in negotiations with two more investors.

Spotlight’s investigation into the circumstances surrounding the Direct Issue shows that the Company at the webinar on August 16, 2022, presented information regarding the Direct Issue which at the time constituted inside information, and by doing so breached the rules in Article 2.1 of the Commission Implementing Regulation (EU) 2016/1055. The information provided by the Company during the investigation shows that the negotiations with the four investors at the time of the webinar on August 16, 2022, were at such stage that the

information regarding these negotiations/discussions was to be considered inside information according to MAR Article 7.1a.

#### *Move to Nasdaq Main market*

On September 19, 2022, at 13:57 the Company announced the press release “CS MEDICA A/S: Prepare For Listing On Nasdaq Main Market In Denmark”, in which the Company stated that “its Board of Directors on August 31, 2022, approved a long-term plan to move its share listing from the Spotlight Denmark Market to the Nasdaq Main Market in Denmark (“Main Market”).” This press release included a “MAR-label” and was thus deemed by the Company to contain inside information.

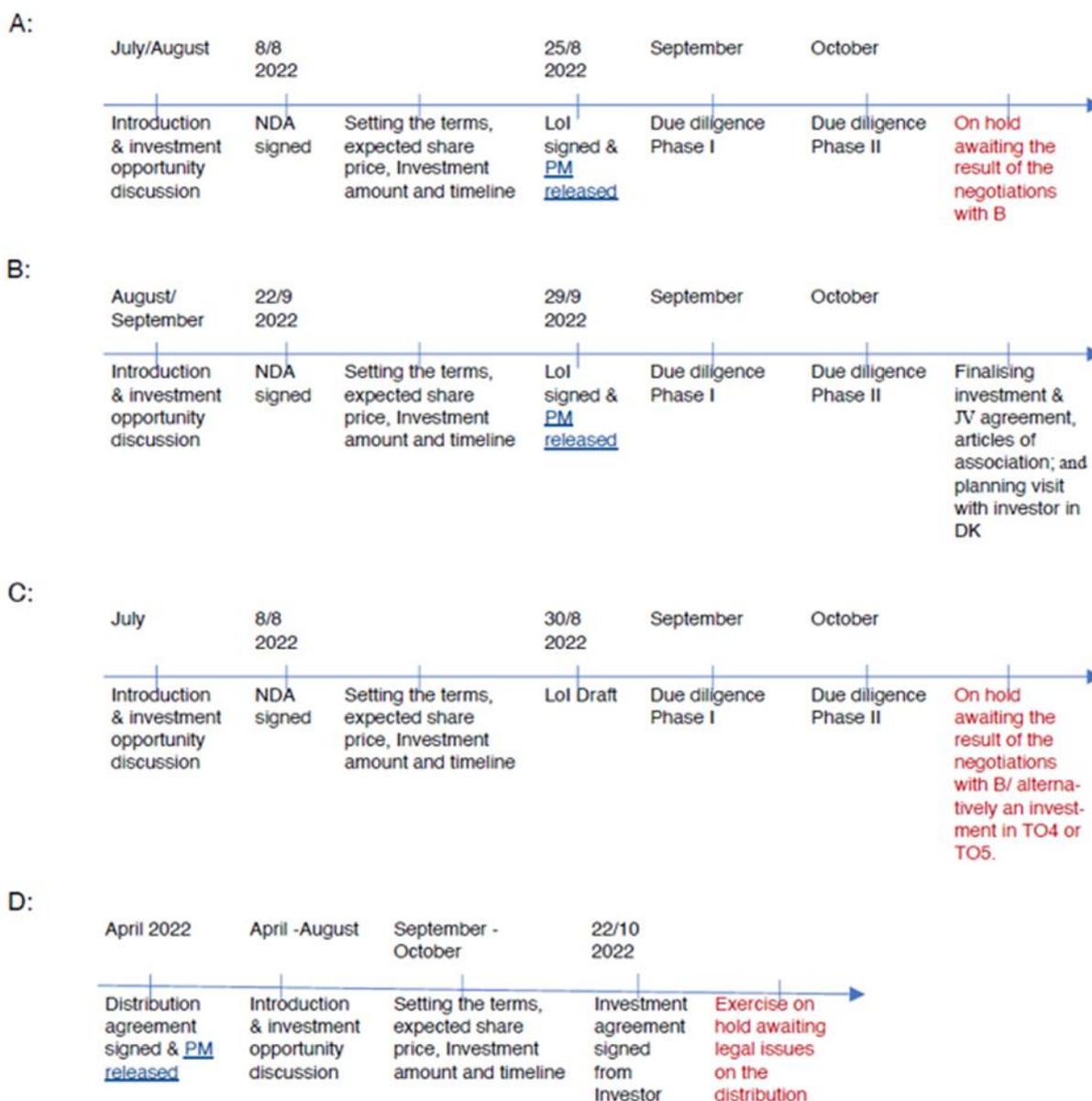
Spotlight’s conclusion is that the Company was not entitled to delay the disclosure of inside information since all the conditions following MAR Article 17.4 (a)-(c) were not met. The Company has stated that “an immediate publication of the PM regarding main market, could damage CS Medica if we did not manage to establish an agreement with a financial advisor under the terms agreed and approved by the board”. Spotlight finds that this is not a legitimate reason to delay disclosure of insider information, since there are no formal requirements to have engaged a financial advisor in order to conduct a listing process on Nasdaq main market. Further to that, there are several financial advisors available that could guide and assist the company in a listing process, if the Company finds that necessary. In summary, the contracting of a financial advisor is not a prerequisite for conducting a listing process and hence, not a legitimate reason for delaying the disclosure of inside information and hence condition 17.4 (a) was not met. Further the Company has stated that “furthermore, a disclosure could mislead the public, if we were unable to fulfil the requirements following the main market, hence unable to complete the market move.”

A listing process for a regulated market is a protracted process were several formal requirements need to be met, for example to follow the International Financial Reporting Standards, IFRS. It is still uncertain when and if the Company will fulfill the requirements for a listing on Nasdaq regulated market, hence the risk of misleading the public was not affected by the delayed disclosure and hence condition (b) was not met.

*CS MEDICA* has substantially replied the following:

#### *Direct Issue*

At the time of the webinar, we had different funding scenarios running with discussions, all of them in a very early stage and none of them with any clarification that would deem them to be inside information.



### *Move to Nasdaq Main market*

On 31 August, 2022, The Board of Directors approved a long-term plan to move CS MEDICA's market place from Spotlight Denmark Market to Nasdaq Main Market in Denmark. As CS MEDICA, at the date of the board meeting, had not investigated whether it could be expected that CS MEDICA was able to move its market place to Nasdaq Main Market in Denmark it was resolved to wait to send out any press release.

After the board meeting CS MEDICA started to investigate:

- 1) Whether CS MEDICA can meet the requirements for moving to the main market.
- 2) Whether there are special conditions that could possibly prevent admission to the main market.

- 3) Whether there were any other conditions that CS MEDICA must be aware of during the main market application process.
- 4) Selection of financial advisor.

On September 19 2022 ,13:57 CET, CS MEDICA concluded, based on its investigations, that CS MEDICA on a long-term basis could expect to move its market place to Nasdaq Main Market in Denmark. Consequently, on September 19 2022 CS MEDICA published the decision of the board of directors.

An immediate publication of a press release regarding a move to the main market, could damage CS MEDICA if we did not manage to establish an agreement with a financial advisor under the terms agreed and approved by the board. Furthermore, a disclosure could mislead the public, if we were unable to fulfil the requirements following the main market, hence unable to complete the market move. The PM was issued immediately after a meeting with the appropriate financial advisor, where the applications terms for the main market was evaluated as well as the co-operation agreement and terms with the financial advisor.

## **The Disciplinary Committee's assessment**

### Introduction

Companies listed on Spotlight have an obligation according to the Regulations 3.8 to publicly disclose inside information as soon as possible in accordance with Article 17 of MAR and related legal acts, including established technical standards. According to MAR Article 7.1 a, insider information is defined as information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. According to Article 2.1 of Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 the Company shall disclose inside information using technical means that ensure that the information is disseminated to as wide a public as possible on a non- discriminatory basis.

According to MAR Article 17.4 the Company may, on its own responsibility, delay disclosure to the public of inside information provided that all of the following conditions are met:

- a) immediate disclosure is likely to prejudice the legitimate interests of the issuer or emission allowance market participant;
- b) delay of disclosure is not likely to mislead the public;
- c) the issuer or emission allowance market participant is able to ensure the confidentiality of that information

### The Disciplinary's Committee's examination of the facts

#### *Direct Issue*

At the time of CS MEDICA's webinar on August 16, 2022, the Company had four ongoing negotiations with possible investors/subscribers of shares in the Company, where in at least two of these processes, NDA's were signed.

A share issue normally constitutes inside information, and the process leading up to a decision by a listed company to issue shares will therefore normally be regarded as a protracted process where each step in itself can constitute inside information. If the listed company chooses not to disclose such a step to the market, it needs to follow the rules regarding delayed disclosure of inside information, which, inter alia, means that information regarding the negotiations must be kept confidential by the company and immediately publicly disclosed if leaked.

The Disciplinary Committee finds that at least two of the Company's ongoing negotiations with possible investors constituted inside information at the time of the webinar, which means that when the Company disclosed the fact that the negotiations were ongoing together with the detailed facts of the contemplated share price, the Company was obliged to disclose all facts of the negotiations to the market through a MAR press release.

Against this background, the Disciplinary Committee shares Spotlight's assessment that the Company has breached Article 17 of MAR as well as 3.8 in the Regulations.

#### *Move to Nasdaq Main Market*

Whether a decision to move to Nasdaq's main market constitutes inside information or not can be discussed, but if the listed company treats the information as such, the Disciplinary Committee will, in accordance with previous practice, require that the company in questions follow the rules applicable on inside information.

The Disciplinary Committee has not been given the possibility to examine the decision by the Company's Board regarding the move to Nasdaq Main Market. Spotlight has however not questioned that the the Board resolution included a long-time plan for moving the listing to Nasdaq's Main market and that the decision was conditional on the fact that such a move could be effected which was to be explored by the Company. Under such circumstances it has not been shown that the Company has not fulfilled the requirements for delayed disclosure, in relation the possible market change, even though the wording in the logbook presented by the Company of the decision to delay disclosure of inside information can be questioned.

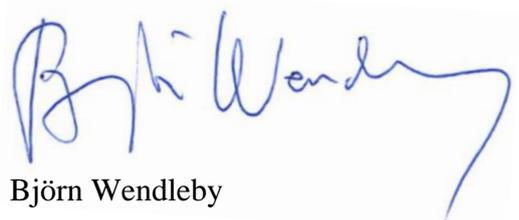
### The Disciplinary Committee's overall assessment

Correct disclosure of insider information is of central importance for maintaining confidence in the securities market. When the disclosure of inside information has been delayed, it is of

utmost importance that the Company itself does not leak part of this information to the market. The information was in this case leaked during a webinar for investors in connection with the subscription period for the Company's subscription option, TO 1, possibly in order to attract investors. The Disciplinary Committee therefore takes the Company's violations seriously.

Against this background, the Company cannot escape a disciplinary sanction in the form of a fine. In the view of the Disciplinary Committee, the violations are of such magnitude that they must be attributed to seriousness level three according to the ten-point scale included in section 7 of the Regulations. Taking into account the Company's market value, this means that the fine must be set at SEK 75 000.

On behalf of the Disciplinary Committee



Björn Wendleby

Attorney Björn Wendleby (chairman), Member of the Supreme Court Stefan Johansson, attorney Björn Kristiansson, Christina Ploom and Helene Willberg participated in the disciplinary board's decision.