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Adept Water Technologies A/S

Mileparken 22, st, 2740 Skovlunde

Company reg. no. 28 10 41 62

Annual report

2023

The annual report was submitted and approved by the general meeting on the 22 May 2024.

Søren Spangbo Christiansen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Adept Water Technologies A/S for the financial year 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Skovlunde, 22 May 2024

Managing Director

Søren Spangbo Christiansen

Board of directors

Preben Tolstrup
chairman

Jesper Bo Hansen

Thomas Asger Lund

Steen Blaaufalk

Nils Christian Foss

Independent auditor's report

To the Shareholders of Adept Water Technologies A/S

Opinion

We have audited the financial statements of Adept Water Technologies A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 22 May 2024

Grant Thornton

Certified Public Accountants
Company reg. no. 34 20 99 36

Martin Bomholtz

State Authorised Public Accountant
mne34117

Company information

The company

Adept Water Technologies A/S
Mileparken 22, st
2740 Skovlunde

Phone +4588708525

Web site www.adeptwatertech.com

Company reg. no. 28 10 41 62

Established: 3 September 2004

Financial year: 1 January - 31 December

Board of directors

Preben Tolstrup, chairman
Jesper Bo Hansen
Thomas Asger Lund
Steen Blaaufalk
Nils Christian Foss

Managing Director

Søren Spangbo Christiansen

Auditors

Grant Thornton, Godkendt Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Bankers

Danske Bank

Management's review

The principal activities of the company

Adept Water Technologies A/S (AWT) develops, manufactures, and markets disinfection systems for water using in-line electrolysis without the use of chemicals, as well as systems for in situ production of active chlorine using salt.

Markets

During the year, the company has continued to optimize its product portfolio and supply chain processes.

In the dental industry, AWT markets disinfection systems through market-leading providers of dental equipment (stand-alone systems) and dental chairs (build-in systems). This is done through international partnerships.

The company decided in 2023 to relaunch its retrofit disinfection solutions for high-end dental clinics (stand-alone systems). It has long been a target to strengthen the dental distribution network through expansion of and stronger collaboration with selected dental dealers. This initiative has put the company in a better position for future growth but to some extent it has also disrupted sales in 2023.

The long-term objective is still to develop the dental technology solution in collaboration with leading high-end chair manufacturers and the company is committed to engage in strategic partnerships with the right dental chair manufacturers.

In the hot water installations sector, the products are mainly sold through a distributor on the Danish market. The development of sales has been positive in 2023 and the introduction of a smaller and more compact product variant has substantiated this trajectory and has paved the way for further expansion into new markets. Sales are expected to undergo decent growth in 2024.

The introduction of the new system variant has also proven particularly suitable for disinfection of surfaces. The solution has been further tested in 2023 and the first commercial sales have been initiated in Q4 2023.

Development in activities and financial matters

The gross loss for the year totals DKK -1,1m against DKK -2,7m last year. The result from ordinary activities after tax totals DKK -9,7m against DKK -11,0m last year. The result is in accordance with expectations.

The Shareholder's Equity as of 31 December 2023 is negative by DKK 4.5 million. The equity will be restored in the new year, see the section subsequent events below.

Events occurring after the end of the financial year

The company has carried out a capital increase through the company's main shareholders amounting to DKK 6 million. The capital increase took place on 14 May 2024 and is expected to cover the funding need for 2024.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2023</u>	<u>2022</u>
Gross loss	-1.081.828	-2.749.956
2 Staff costs	-9.297.915	-8.445.235
Amortisation and impairment of intangible assets	-577.670	-577.670
Operating profit	-10.957.413	-11.772.861
Other financial income	229.164	29.626
3 Other financial costs	-400.121	-492.979
Pre-tax net profit or loss	-11.128.370	-12.236.214
4 Tax on net profit or loss for the year	1.454.455	1.239.440
Net profit or loss for the year	-9.673.915	-10.996.774
Proposed distribution of net profit:		
Allocated from retained earnings	-9.673.915	-10.996.774
Total allocations and transfers	-9.673.915	-10.996.774

Balance sheet at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2023</u>	<u>2022</u>
Non-current assets		
Completed development projects, including patents and similar rights arising from development projects	577.671	1.155.339
Total intangible assets	577.671	1.155.339
Other financial investments	224.019	224.019
Other debtors	393.971	391.972
Total investments	617.990	615.991
Total non-current assets	1.195.661	1.771.330
Current assets		
Manufactured goods and goods for resale	2.496.740	3.054.439
Prepayments for goods	247.780	0
Total inventories	2.744.520	3.054.439
Trade debtors	1.140.326	1.110.179
Other receivables	249.374	546.007
Prepayments and accrued income	224.395	289.596
Total receivables	1.614.095	1.945.782
Cash on hand and demand deposits	2.946.392	1.575.481
Total current assets	7.305.007	6.575.702
Total assets	8.500.668	8.347.032

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2023</u>	<u>2022</u>
Equity			
5	Contributed capital	102.195.300	94.798.831
	Share premium	21.920.411	16.234.536
	Retained earnings	-128.644.649	-118.970.734
	Total equity	-4.528.938	-7.937.367
Liabilities other than provisions			
	Other payables	10.471.404	10.147.266
	Total long term liabilities other than provisions	10.471.404	10.147.266
	Bank debts	27.638	3.697.233
	Trade creditors	647.825	1.115.644
	Other payables	1.882.739	1.324.256
	Total short term liabilities other than provisions	2.558.202	6.137.133
	Total liabilities other than provisions	13.029.606	16.284.399
	Total equity and liabilities	8.500.668	8.347.032
1	The Company's financial situation		
6	Charges and security		
7	Contingencies		

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2022	89.194.193	11.925.547	-107.973.960	-6.854.220
Cash capital increase	5.604.638	4.308.989	0	9.913.627
Profit or loss for the year brought forward	<u>0</u>	<u>0</u>	<u>-10.996.774</u>	<u>-10.996.774</u>
Equity 1 January 2023	94.798.831	16.234.536	-118.970.734	-7.937.367
Cash capital increase	7.396.469	5.685.875	0	13.082.344
Profit or loss for the year brought forward	<u>0</u>	<u>0</u>	<u>-9.673.915</u>	<u>-9.673.915</u>
	<u>102.195.300</u>	<u>21.920.411</u>	<u>-128.644.649</u>	<u>-4.528.938</u>

Notes

All amounts in DKK.

1. The Company's financial situation

On 14 May 2024, a cash capital increase was made, which added DKK 6 million in cash. On this basis and the management's budgets for 2024, the management believes that the company has sufficient liquidity to finance its operations through 2024.

2. Staff costs

Salaries and wages	8.552.073	7.743.576
Pension costs	622.203	585.617
Other costs for social security	123.639	116.042
	<u>9.297.915</u>	<u>8.445.235</u>
Average number of employees	<u>15</u>	<u>13</u>

3. Other financial costs

Other financial costs	400.121	492.979
	<u>400.121</u>	<u>492.979</u>

4. Tax on net profit or loss for the year

Other taxes	-1.454.455	-1.239.440
	<u>-1.454.455</u>	<u>-1.239.440</u>

5. Contributed capital

The share capital consists of 102.195.000 shares, each with a nominal value of DKK 1. The shares hold particular rights. The shares are A-shares DKK 17.722.458, B-shares DKK 4.383.514 and C-shares DKK 80.089.028.

6. Charges and security

The company has tenancy commitments for a total of TDKK 449.

Notes

All amounts in DKK.

7. Contingencies

Contingent liabilities

Lease liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts which will expire on 31 August 2024 latest. The leasing contracts have a total outstanding residual lease payment of TDKK 162.

Accounting policies

The annual report for Adept Water Technologies A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Gross loss

Gross loss comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Accounting policies

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

Accounting policies

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Other financial instruments and equity investments

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Accounting policies

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Liabilities other than provisions

Other liabilities are measured to the nominal value.

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Nils Christian Foss

Bestyrelsesmedlem

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Søren Spangbo Christiansen

Direktør og dirigent

Serienummer: 847ab35b-4741-461d-ae0b-33d352813cef

IP: 194.182.xxx.xxx

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Preben Tolstrup

Bestyrelsesformand

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Steen Blaafock

Bestyrelsesmedlem

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Thomas Asger Lund

Bestyrelsesmedlem

Serienummer: e37e4a0e-94a1-4875-a69f-35423c42f0e5

IP: 185.150.xxx.xxx

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Jesper Bo Hansen

Bestyrelsesmedlem

Serienummer: 61eb04c6-d546-4ba9-8a11-56619f81af31

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Martin Bomholtz

Grant Thornton, Godkendt Revisionspartnerselskab CVR: 34209936

Statsautoriseret revisor

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