# C-Leanship A/S

Ørnevej 2, 1. th., 4600 Køge

CVR no. 33 39 24 27

## Annual report 2023

Approved at the Company's annual general meeting on 16 May 2024

Chair of the meeting:

....................................................
Carsten Raasten

## Contents

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of C-Leanship A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the 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 fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 16 May 2024
Executive Board:

Morten Pilnov

Board of Directors:

| | | |
|---|---|---|
| Jonas Lundeberg<br>Chairman | Henrik Lars Olof Engqvist | Anders Mikael Thyberg |
| Niclas Lövgren | Andreas Marø | |

# Independent auditor's report

## To the shareholders of C-Leanship A/S

### Opinion

We have audited the financial statements of C-Leanship A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with 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 opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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.

### Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which describes that the Company has liquidity to finance its operations into July 2024, and accordingly, a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern exists. Since Board of Directors and Executive Management believe that sufficient new funding will be obtained in due time, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We have not modified our opinion in respect of this matter.

### 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 as to 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 the financial statements.

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

## Independent auditor's report

- 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 note 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 the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 16 May 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Rasmus Bloch Jespersen
State Authorised Public Accountant
mne35503

## Management's review

### Business review

C-Leanship offers their customers a full hull cleaning and full inspection of the hull in port during cargo operation. The services present several benefits for the customers which includes fuel savings, reduced emissions, smaller environmental footprint, and no disruption to schedules. C-Leanship has confirmations from the customers that they save both valuable fuel and time by cleaning in port. This is further confirmed by Inspection service agreements with the world's largest container lines whereby C-Leanship regularly inspect all the customers vessels calling their current service hubs.

The service that C-Leanship offers the market can be done in one port call safely without divers. By offering the customers reliable services in Singapore, South Korea and Belgium C- Leanship is also focusing on expanding the network of cleaning hubs to be able to services customers in more locations.

During 2023, C-Leanship has continued to build up sales volume and expanding the customer base by increasing activity from the world's largest container lines and from anchorage customers consisting of Large Bulk Carriers & Oil Tankers.

First step for this was taken in 2021 with the addition of a Service Hub in Busan, Korea and in 2022 a third Service Hub in Antwerp, Belgium.

With a reliable service, focus is on expanding the service portfolio to move closer to having all needed services in-house.

C-Leanships long term plan is to establish service hubs in multiple locations around the world. This is being requested by customers and the market for underwater servicing is expected to increase significantly in the coming years for the following reasons:

- Increase in Global awareness on pollution both via emissions and invasive species.
- Growing need from shipowners to have safe, reliable and environmentally friendly solutions in more ports.
- Upcoming environmental legislations to avoid spreading of invasive species and to reduce emissions such as the CII regulations as of January 2023 and the Australia Biofouling regulations as of 15th June 2022.

C-Leanship has established a solid foundation for future expansion by building up a market position, developing a technology to provide its services and developing the organization and operational skills to offer the market services that address the customers' current and future needs.

### Recognition and measurement uncertainties

C-Leanship has verified its technology and the concept of cleaning a large vessel in port during one port call in a safe, gentle and environmentally friendly way.

Completed development projects, amounting DKK 7.1 million at 31 December 2023, represents the intangible assets associated with the development of the ShipShiner (the machine that performs the underwater hull cleanings), which initially was placed in operations in 2020. Development projects in progress, amounting DKK 5.3 million at 31 December 2023, represents intangible assets related to development of the PropShiner (the machine that performers underwater propeller cleanings), which is expected to be placed in operations in 2024. Operational equipment, other fixtures and fittings, tools and equipment, and equipment in progress, amounting DKK 29.9 million, DKK 0.4 million, and DKK 0.8 million, respectively at 31 December 2023, primarily comprise the constructed tangible ShipShiners in operations.

C-Leanship has performed an impairment test by estimating the expected value of the discounted future Cash flow (DCF) expected to be generated by the business to be established. Management's conclusion is that this DCF value exceeds the value of the capitalised development cost and property plant and equipment.

Due to uncertainties as to future income and cash flows from sale of hull cleanings, the valuation of the non-current asset is subject to Management's assessments and estimates and, consequently, to measurement uncertainties.

# Management's review

## Unusual matters having affected the financial statements

### *Going concern*

The Company is in an expansion phase and its operating and expansion activities are financed by operational cash-flows from sale of hull- and prop cleaning services, capital injections from investors, short-term convertible loan payables to current shareholders and payables to other group companies. Until such time when the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's planned operations and expansion activities.

At 31 December 2023, the Company’s total current assets amounted DKK 17.3 million and total current liabilities amounted DKK 44.5 million. Considering the Company’s negative net current assets at 31 December 2023, proceeds received from issuance of convertible loans in March 2024, and forecasted cash requirements, the Board of Directors and Executive Management assess that the Company has sufficient funds to meet the Company's operational liquidity requirements into July 2024. Financing of the Company’s activities for the second half of 2024 is not secured as of the date of these financial statements. Therefore, Management plans to raise additional funding in the form of issuance of new shares, loans, convertible loans, or a combination of such.

The Board of Directors and Executive Management believe that new funding sufficient to fund the Company’s operations at least through 2024 will be obtained in due time. Based on this assumption, the Board of Directors and the Executive Management have prepared these Financial Statements based on a going concern assumption.

Since new source of funding, as described above, is not obtained at the date of  these financial statements, material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern exists, and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

## Financial review

In the fiscal year ending December 31, 2023, C-Leanship reported a loss for year of DKK 48.2 million, compared to a loss for the year ended December 31, 2022 of DKK 32,9 million. Total equity at December 31, 2023 amounted DKK 9.7 million compared to 43.6 million at December 31, 2022.

C-Leanship's staff costs for the year were DKK 12.9 million, compared to DKK 7.1 million in the previous year. This increase was due to the company's decision to hire more staff to support its growth initiatives.

In 2023, the company completed an equity financing round by increasing the share capital of DKK 313,293. The gross proceeds from the capital increase was DKK 14.3 million.

In terms of financial position, C-Leanship's total balance sheet as of December 31, 2023, was DKK 62.6 million, compared to DKK 72.2 million in the previous year.

In summary, while C-Leanship experienced an increase in losses in the fiscal year ending December 31, 2023, its increased actitivy level suggest it has the potential for future growth. The company's decision to invest in growth initiatives and hire more staff also indicates a commitment to long-term success, which should benefit the company in the coming years.

## Events after the balance sheet date

On 15 March 2024, the Company issued convertible loans to current shareholders, receiving proceeds of DKK 13.5 million (USD 2.0 million).

# Financial statements 1 January - 31 December

## Income statement

| Note | DKK | 2023 | 2022 |
|---|---|---|---|
| | **Gross loss** | -27,798,048 | -14,873,567 |
| 4 | Staff costs | -12,979,700 | -7,088,820 |
| 5 | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -7,752,270 | -12,431,278 |
| | **Profit/loss before net financials** | -48,530,018 | -34,393,665 |
| 6 | Financial income | 1,405,103 | 2,419,531 |
| 7 | Financial expenses | -3,095,153 | -2,897,356 |
| | **Profit/loss before tax** | -50,220,068 | -34,871,490 |
| 8 | Tax for the year | 2,013,302 | 1,993,497 |
| | **Profit/loss for the year** | -48,206,766 | -32,877,993 |
| | | | |
| | **Recommended appropriation of profit/loss** | | |
| | Retained earnings/accumulated loss | -48,206,766 | -32,877,993 |
| | | -48,206,766 | -32,877,993 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK | 2023 | 2022 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Non-current assets** | | |
| 9 | **Intangible assets** | | |
| | Completed development projects | 7,174,327 | 8,717,697 |
| | Development projects in progress | 5,305,916 | 3,776,995 |
| | | 12,480,243 | 12,494,692 |
| 10 | **Property, plant and equipment** | | |
| | Operational equipment | 29,916,401 | 21,428,295 |
| | Other fixtures and fittings, tools and equipment | 397,018 | 0 |
| | Equipment in progress | 832,304 | 12,895,685 |
| | | 31,145,723 | 34,323,980 |
| 11 | **Financial assets** | | |
| | Investments in group entities | 1,234,060 | 1,234,060 |
| | Rent deposit | 470,791 | 476,404 |
| | | 1,704,851 | 1,710,464 |
| | **Total non-current assets** | 45,330,817 | 48,529,136 |
| | **Current assets** | | |
| | **Inventories** | | |
| | Raw materials and consumables | 303,269 | 94,481 |
| | | 303,269 | 94,481 |
| | **Receivables** | | |
| | Trade receivables | 5,489,012 | 5,843,367 |
| | Receivables from group entities | 0 | 90,203 |
| | Income taxes receivable | 446,509 | 707,289 |
| | Other receivables | 379,962 | 151,116 |
| | Prepayments | 803,465 | 122,728 |
| | | 7,118,948 | 6,914,703 |
| | **Cash** | 9,891,093 | 16,628,315 |
| | **Total current assets** | 17,313,310 | 23,637,499 |
| | **TOTAL ASSETS** | 62,644,127 | 72,166,635 |

## Financial statements 1 January - 31 December

### Balance sheet

| Note | DKK | 2023 | 2022 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| | Share capital | 6,086,756 | 5,773,463 |
| | Share premium account | 244,987,095 | 231,011,438 |
| | Reserve for development costs | 9,738,030 | 9,745,860 |
| | Retained earnings | -251,084,631 | -202,885,695 |
| | **Total equity** | 9,727,250 | 43,645,066 |
| | **Liabilities** | | |
| 12 | **Non-current liabilities** | | |
| | Deferred tax | 0 | 1,676,940 |
| | Interest bearing debt to shareholders | 3,718,017 | 0 |
| | Payables to group entities | 3,718,017 | 0 |
| | Grants payables | 950,770 | 950,770 |
| | **Total non-current liabilities** | 8,386,804 | 2,627,710 |
| | **Current liabilities** | | |
| | Interest bearing debt to shareholders | 0 | 3,660,405 |
| | Other credit institutions | 2,570,285 | 2,753,453 |
| | Trade payables | 778,883 | 659,391 |
| | Payables to group entities | 16,469,062 | 18,178,903 |
| 12 | Convertible loans | 22,167,108 | 0 |
| | Other payables | 1,101,250 | 641,707 |
| 12 | Embedded derivative | 1,443,485 | 0 |
| | **Total current liabilities** | 44,530,073 | 25,893,859 |
| | **Total liabilities** | 52,916,877 | 28,521,569 |
| | **TOTAL EQUITY AND LIABILITIES** | 62,644,127 | 72,166,635 |

| | |
|---|---|
| 1 | Accounting policies |
| 2 | Going concern uncertainties |
| 3 | Events after the balance sheet date |
| 13 | Contractual obligations and contingencies, etc. |
| 14 | Contingent assets |
| 15 | Related parties |

## Financial statements 1 January - 31 December

### Statement of changes in equity

| DKK | Share capital | Share premium account | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|---|
| Equity at 1 January 2022 | 5,027,528 | 197,803,781 | 13,629,061 | -173,890,903 | 42,569,467 |
| Capital increase | 745,935 | 34,846,502 | 0 | 0 | 35,592,437 |
| Cost of capital increase | 0 | -1,638,845 | 0 | 0 | -1,638,845 |
| Transfer through appropriation of loss | 0 | 0 | 0 | -32,877,993 | -32,877,993 |
| Movement of capitalized development costs | 0 | 0 | -4,978,463 | 4,978,463 | 0 |
| Tax on movement of capitalized development costs | 0 | 0 | 1,095,262 | -1,095,262 | 0 |
| **Equity at 1 January 2023** | 5,773,463 | 231,011,438 | 9,745,860 | -202,885,695 | 43,645,066 |
| Capital increase | 313,293 | 14,139,132 | 0 | 0 | 14,452,425 |
| Cost of capital increase | 0 | -163,475 | 0 | 0 | -163,475 |
| Transfer through appropriation of loss | 0 | 0 | 0 | -48,206,766 | -48,206,766 |
| Movement of capitalized development costs | 0 | 0 | -10,038 | 10,038 | 0 |
| Tax on movement of capitalized development costs | 0 | 0 | 2,208 | -2,208 | 0 |
| **Equity at 31 December 2023** | 6,086,756 | 244,987,095 | 9,738,030 | -251,084,631 | 9,727,250 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies

The annual report of C-Leanship A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Pursuant to section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Public grants

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised in other operating income only where they are not expected to be repaid.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from rendering of hull cleaning services is recognised as revenue as the service is rendered, implying that revenue corresponds to the market value of services rendered in the year (production method).

Income from operating leases where the Company is lessor: Leases where the Company does not transfer all the significant risks and rewards of ownership of the assets to the lessee are classified as operational leases. Rent from operational lease agreements is recognised as income in the period in which they are generated.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Gross profit/loss

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

#### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including government grants that are not expected to be repaid and gains on the sale of non-current assets.

#### Other external expenses

Other external expenses include the year's expenses relating to administration, office rent, patent and licence expenditures, bad debts, payments under operating leases and development costs that do not meet the recognition criteria for capitalisation.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Company's employees. The item is net of refunds made by public authorities.

#### Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost for completed development projects is amortised over the expected useful life.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|---|---|
| Completed development projects | 5 years |

The residual value of intangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|---|---|
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Operational equipment | 7 years |

The residual value of tangible assets is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

#### Profit/loss from investments in group entities

The item includes dividends from investments in subsidiaries. Dividend distributions that either exceed the profit for the year or where the carrying amount of the investments exceeds the consolidated carrying amounts of the subsidiary's net assets will indicate impairment for which reason an impairment test will have to be conducted.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, interest on convertible debt instruments, realised and unrealised exchange gains and losses and amortisation of financial assets and liabilities.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Tax for the year includes tax credit for development activities at the applicable tax rate for the year in question, if the Company is deemed to qualify for the tax credit.

### Balance sheet

#### Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, the capitalised development projet is allocated and reclassified to relevant asset classes under completed development projects and property plant and equipment and are amortised or depreciated as such on a straight-line basis over the estimated useful life of the respective assets.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

As regards self-produced assets, the cost includes the cost of materials and labour, etc. directly relating to the production.

### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

### Investments in group entities

Investments in group entities and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

### Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

## Financial statements 1 January - 31 December

### Notes to the financial statements

1 **Accounting policies (continued)**

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Cash

Cash consists of cash in banks.

#### Equity

*Reserve for development costs*

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

#### Income taxes

Current tax payable and receivable, which includes receivable tax credits, are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

#### Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities comprising payables to other credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 1 Accounting policies (continued)

#### Convertible loans

Convertible loans are separated into debt component and conversions option components in the form of either equity or embedded derivative, depending on the underlying loan agreement. On initial recognition, the difference between the fair value of the liability component and the total proceeds is allocated to the conversion option. For the convertible loans issued in 2023, the conversion option is classified as a derivative liability, due to the denomination of the convertible loan in USD (non-functional currency). Subsequent to initial recognition the conversion option is accounted for a derivative and thus, it is measured at fair value through profit or loss. Any gains or losses on the conversion option is recognized as pat of financial items. Transaction costs are allocated to each component of the loans.

#### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

#### Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 2 Going concern uncertainties

The Company is in an expansion phase and its operating and expansion activities are financed by operational cash-flows from sale of hull- and prop cleaning services, capital injections from investors, short-term convertible loan payables to current shareholders and payables to other group companies. Until such time when the Company becomes able to generate positive cash-flows from its operations, additional funding is expected to be necessary to fund the Company's planned operations and expansion activities.

At 31 December 2023, the Company's total current assets amounted DKK 17.3 million and total current liabilities amounted DKK 44.5 million. Considering the Company's negative net current assets at 31 December 2023, proceeds received from issuance of convertible loans in March 2024, and forecasted cash requirements, the Board of Directors and Executive Management assess that the Company has sufficient funds to meet the Company's operational liquidity requirements into July 2024. Financing of the Company's activities for the second half of 2024 is not secured as of the date of these financial statements. Therefore, Management plans to raise additional funding in the form of issuance of new shares, loans, convertible loans, or a combination of such.

The Board of Directors and Executive Management believe that new funding sufficient to fund the Company's operations at least through 2024 will be obtained in due time. Based on this assumption, the Board of Directors and the Executive Management have prepared these Financial Statements based on a going concern assumption.

Since new source of funding, as described above, is not obtained at the date of these financial statements, material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern exists, and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

### 3 Events after the balance sheet date

On 15 March 2024, the Company issued convertible loans to current sharehlders, receiving proceeds of DKK 13.5 million (USD 2.0 million).

| | DKK | 2023 | 2022 |
|---|---|---|---|
| 4 | **Staff costs** | | |
| | Wages/salaries | 11,646,660 | 6,372,231 |
| | Pensions | 1,085,736 | 410,535 |
| | Other social security costs | 120,931 | 80,336 |
| | Other staff costs | 126,373 | 225,718 |
| | | 12,979,700 | 7,088,820 |
| | Average number of full-time employees | 16 | 10 |
| 5 | **Amortisation/depreciation and impairment of intangible assets and property, plant and equipment** | | |
| | Amortisation of intangible assets | 1,802,144 | 4,805,253 |
| | Impairment of intangible assets | 0 | 2,613,505 |
| | Depreciation of property, plant and equipment | 5,950,126 | 5,012,520 |
| | | 7,752,270 | 12,431,278 |
| 6 | **Financial income** | | |
| | Other interest income | 195,176 | 223,932 |
| | Exchange adjustments | 813,954 | 2,195,599 |
| | Fair value adjustments of financial instruments | 395,973 | 0 |
| | | 1,405,103 | 2,419,531 |

## Financial statements 1 January - 31 December

### Notes to the financial statements

| | DKK | 2023 | 2022 |
|---|---|---|---|
| 7 | **Financial expenses** | | |
| | Interest expenses, group entities | 1,027,792 | 260,373 |
| | Interest expenses, loans | 713,210 | 177,994 |
| | Exchange adjustments | 971,910 | 2,263,956 |
| | Other interest and financial expenses | 382,241 | 195,033 |
| | | 3,095,153 | 2,897,356 |
| 8 | **Tax for the year** | | |
| | Estimated tax charge for the year | -336,362 | -503,542 |
| | Deferred tax adjustments in the year | -1,676,940 | -1,489,955 |
| | | -2,013,302 | -1,993,497 |

9 **Intangible assets**

| DKK | Completed development projects | Development projects in progress | Total |
|---|---|---|---|
| Cost at 1 January 2023 | 34,470,250 | 3,776,995 | 38,247,245 |
| Additions in the year | 258,774 | 1,528,921 | 1,787,695 |
| Disposals in the year | 0 | 0 | 0 |
| Cost at 31 December 2023 | 34,729,024 | 5,305,916 | 40,034,940 |
| Impairment losses and amortisation at 1 January 2023 | 25,752,553 | 0 | 25,752,553 |
| Amortisation in the year | 1,802,144 | 0 | 1,802,144 |
| Impairment losses and amortisation at 31 December 2023 | 27,554,697 | 0 | 27,554,697 |
| **Carrying amount at 31 December 2023** | 7,174,327 | 5,305,916 | 12,480,243 |
| Amortised over | 5 years | | |

#### Completed development projects

Completed development projects comprise the Shipshiner technology and knowhow relating to underwater hull cleanings. C-Leanship has verified its Shipshiner technology and the concept of cleaning a large vessel in port during one port call in a safe, gentle and environmental friendly way. C-Leanship's customers have also verified the fuel savings generated by hull cleanings done by C-Leanship. C-Leanship has proved final verification of functionality of the second generation Shipshiner, which initially was initially placed in operations in 2020.

#### Development projects in progress

Development projects in progress include 'Propshiner', which is a machine for underwater propeller cleanings. Expenses capitalized in relation to the propshiner project consist of internal expenses in the form of payroll costs and production overheads. The propshiner project expected to be finalized during 2024 after which marketing and selling activities are planned to be initiated.

## Notes to the financial statements

### 9 Intangible assets (continued)

**Impairment testing and related recognition and measuring uncertainties**

In 2023, Management carried out an impairment test of the carrying amount of the company's non-current assets, including completed development projects and development projects in progress. The recoverable amount is determined by estimating the value in use of the hull cleaning business to be established. The value in use is determined by use of a discounted cash flow model (DCF), which is based on expected net cash flows for the period 2024-2028 followed by a terminal period, and an applied discount factor before tax of 20%. The determined recoverable amount exceeds the carrying amount of the company's non-current assets. Due to uncertainties as to future income and cash flows from sale of hull and propel cleanings, the valuation of the non-current asset is subject to Management's assessments and estimations and, consequently, to measurement uncertainties.

### 10 Property, plant and equipment

| DKK | Operational equipment | Other fixtures and fittings, tools and equipment | Equipment in progress | Total |
|---|---|---|---|---|
| Cost at 1 January 2023 | 42,532,056 | 103,156 | 12,895,685 | 55,530,897 |
| Additions in the year | 170,885 | 230,420 | 2,370,564 | 2,771,869 |
| Transfer from other accounts | 14,210,592 | 223,353 | -14,433,945 | 0 |
| Cost at 31 December 2023 | 56,913,533 | 556,929 | 832,304 | 58,302,766 |
| Impairment losses and depreciation at 1 January 2023 | 21,103,761 | 103,156 | 0 | 21,206,917 |
| Depreciation in the year | 5,893,371 | 56,755 | 0 | 5,950,126 |
| Impairment losses and depreciation at 31 December 2023 | 26,997,132 | 159,911 | 0 | 27,157,043 |
| **Carrying amount at 31 December 2023** | 29,916,401 | 397,018 | 832,304 | 31,145,723 |
| Depreciated over | 7 years | 3-5 years | | |

**Impairment testing and related recognition and measuring uncertainties**

In 2023, Management carried out an impairment test of the carrying amount of the company's non-current assets, including property plant and equipment. The recoverable amount is determined by estimating the value in use of the hull cleaning business to be established. The value in use is determined by use of a discounted cash flow model (DCF), which is based on expected net cash flows for the period 2024-2028 followed by a terminal period, and a an applied discount factor before tax of 20%. The determined recoverable amount exceeds the carrying amount of the company's non-current assets. Due to uncertainties as to future income and cash flows from sale of hull and propel cleanings, the valuation of the non-current asset is subject to Management's assessments and estimations and, consequently, to measurement uncertainties.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 11 Financial assets

| DKK | Investments in group entities | Rent deposit | Total |
|---|---|---|---|
| Cost at 1 January 2023 | 1,234,060 | 476,404 | 1,710,464 |
| Disposals in the year | 0 | -5,613 | -5,613 |
| Cost at 31 December 2023 | 1,234,060 | 470,791 | 1,704,851 |
| **Carrying amount at 31 December 2023** | 1,234,060 | 470,791 | 1,704,851 |

### 12 Non-current liabilities

At 31 December 2023, the Company has a grant payable to the Danish Maritime Fund of DKK 951 thousandrelating to the 'PropShiner' development project. The Company has obtained a patent based on the result of the development project, and the financial support will be repaid, once the development project generates a profit.

| DKK | Total debt at 31/12 2023 | Short-term portion | Long-term portion | Outstanding debt after 5 years |
|---|---|---|---|---|
| Interest bearing debt to shareholders | 3,718,017 | 0 | 3,718,017 | 0 |
| Payables to group entities | 3,718,017 | 0 | 3,718,017 | 0 |
| Convertible loans | 22,167,108 | 22,167,108 | 0 | 0 |
| Grants payables | 950,770 | 0 | 950,770 | 0 |
| Embedded derivatives | 1,443,485 | 1,443,485 | 0 | 0 |
| | 31,997,397 | 23,610,593 | 8,386,804 | 0 |

#### Convertible loans

In September and November 2023, the Company has issued convertible loans. The principal of the convertible loans totals USD 3.350 thousand. The convertible loans, including accrued interest, matures 12 months after the date of issuance and carries a 30% interest rate.

The converible loans includes conversion features, which allows and requires the lenders to convert the loans into shares in the Company at a share price equivalent to USD 6.1 per share of nominal DKK 1 or demand repayment in events of default.

At initial recognition of each of the convertible loas have been separated into a liability component and a conversion option component (and embedded derivative), by allocating the proceeds to the conversion option. After initial recognition, the liability component is measured at amortized costs and the conversion option is measured at fair value through profit or loss.

The fair value of the conversion option has been calculated by use of the black scholes valuation model including assumptions in respect of share price, risk free interest rate, and volatility.

# Financial statements 1 January - 31 December

## Notes to the financial statements

### 13 Contractual obligations and contingencies, etc.

#### Contingent liabilities

The Company is jointly taxed with other Danish SAAB Group companies. SAAB Denmark A/S, which acts as management company in the joint taxation. The Companyhas limited and alternative liability together with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

#### Other financial obligations

Other rent and lease liabilities:

| DKK | 2023 | 2022 |
|---|---|---|
| Rent and lease liabilities | 312,454 | 695,289 |

### 14 Contingent assets

The Company has tax loss carry-forwards totalling DKK 204.585 thousand (2022: DKK 158,660 thousand). The nominal value thereof is 22%, totalling DKK 45.008 thousand (2022: DKK 34,905 thousand), which has not been recognised in the balance sheet due to the uncertainty as to application of the tax losses.

### 15 Related parties

#### Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|---|---|---|
| Saab AB (ultimate parent) | Stockholm, Sweden | Olof Palmes gata 17, 5th floor, SE-111 22 Stockholm, Sweden |
| Saab Ventures AB (immediate parent) | Linköping, Sweden | Bröderna Ugglas Gata, 581 88 Linköping, Sweden |