

Exowave ApS
Kanalen 1, 6700 Esbjerg

Annual report
2022

Company reg. no. 36 47 78 65

The annual report was submitted and approved by the general meeting on the 22 May 2023.

Emil Vrist
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 Exowave ApS for the financial year 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

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.

Esbjerg, 21 April 2023

Managing Director

Lars Wigant

Board of directors

Martin Nissen Dahl

Lars Wigant

Michael Smedegaard

Hannes Reuter

Independent auditor's report

To the Shareholders of Exowave ApS

Opinion

We have audited the financial statements of Exowave ApS for the financial year 1 January - 31 December 2022, which comprise a summary of significant accounting policies, income statement, balance sheet and notes, 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 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.

Esbjerg, 21 April 2023

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Alexander Hardy Josef Müller
Rasmussen
State Authorised Public Accountant
mne24721

Company information

The company	Exowave ApS Kanalen 1 6700 Esbjerg
	Company reg. no. 36 47 78 65 Established: 30 December 2014 Domicile: Esbjerg Financial year: 1 January - 31 December
Board of directors	Martin Nissen Dahl Lars Wigant Michael Smedegaard Hannes Reuter
Managing Director	Lars Wigant
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N
Subsidiary	Patentselskabet af 30. november 2014 ApS, Esbjerg

Management´s review

The principal activities of the company

Exowave ApS' purpose is to hold ownership and manage the invested capital in operational activities and subsidiaries to fulfill the vision of the company: to make fresh water and clean energy available by leveraging nature's own power from the oceans.

Exowave's activity is development, production, licensing and as provider of services based on renewable energy from the oceans directed towards production of fresh water, electricity, or Hydrogen (Power-to-X).

Exowave mission is to develop a 250 MW wave power farm in the Danish North Sea by 2030.

Development in activities and financial matters

The result for the year totals DKK -2.275.519 against DKK -1.461.905 last year. The result for the year is expected by the management.

Projects grants and project development costs by both Exowave and contract partners are booked directly as revenue and directs cost. Gross profit is shown in the company's Income Statement accordingly.

Development costs has not been booked as intangible assets, due to uncertainty in the valuation of expected future value of the present project.

The management considers the financial capacity of the company by year-end 2022 to be sufficient and in accordance with outlook for 2022 covering both project related costs, operational costs and other financial liabilities based on present project engagements and established cost structure.

The EU DP funded program: Exowave, water, electricity and PtX is completed. Auditor report is concluded to be according to the relevant public funding regulations.

Expected developments

The Exowave wave energy converter (WEC) is developed and demonstrated to secure performance, stability, and robust viability in live nature under demanding conditions submerged in the sea. The evolution from an idea to a fully commercialized production facility takes place through a series of development phases that will ensure progress in maturity through conceptualization, development, testing, demonstration, and documentation.

New EU DP funded program started up by 2 January 2023: 250 MW wave power in the Danish North Sea by 2030 - phase 1. Duration is 24 months, project budget 23,8 mio. DKK and public funding grant: 14,2 mio. DKK

Management´s review

Events occurring after the end of the financial year

There have been no events after the balance sheet date, which would influence the company's financial position by the year ending 2022 in any significant way.

Accounting policies

The annual report for Exowave ApS 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.

Income statement

Gross loss

Gross loss comprises the revenue 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.

Other external costs comprise costs for distribution, sales, advertisement, administration and premises.

Staff costs

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

Research and development costs

Research and development costs comprise costs, salaries, and wages and depreciation directly or indirectly attributable to the company's research and development activities.

Research costs are recognised in the income statement in the year incurred.

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.

Results from investments in subsidiaries

The investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post-tax profit or loss.

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.

Accounting policies

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Impairment loss relating to non-current assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Accounting policies

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

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

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

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

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Accounting policies

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2022</u>	<u>2021</u>
Gross loss	-679.306	33.474
1 Staff costs	-1.329.138	-1.374.319
Income from investments in subsidiaries	-192.955	-116.245
Other financial income	0	10
2 Other financial expenses	-74.120	-4.825
Pre-tax net profit or loss	-2.275.519	-1.461.905
Tax on ordinary results	0	0
Net profit or loss for the year	-2.275.519	-1.461.905
 Proposed distribution of net profit:		
Allocated from retained earnings	-2.275.519	-1.461.905
Total allocations and transfers	-2.275.519	-1.461.905

Balance sheet at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2022</u>	<u>2021</u>
Non-current assets		
3 Investments in group enterprises	0	0
4 Deposits	30.299	30.299
Total investments	<u>30.299</u>	<u>30.299</u>
Total non-current assets	<u>30.299</u>	<u>30.299</u>
Current assets		
Other receivables	591.275	2.241.957
Prepayments	21.804	6.890
Total receivables	<u>613.079</u>	<u>2.248.847</u>
Cash and cash equivalents	<u>2.103.873</u>	<u>966.921</u>
Total current assets	<u>2.716.952</u>	<u>3.215.768</u>
Total assets	<u>2.747.251</u>	<u>3.246.067</u>

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities		<u>2022</u>	<u>2021</u>
<u>Note</u>			
Equity			
5	Contributed capital	77.965	75.000
6	Retained earnings	1.004.794	1.516.138
	Total equity	<u>1.082.759</u>	<u>1.591.138</u>
Provisions			
	Other provisions	6.500	6.500
	Total provisions	<u>6.500</u>	<u>6.500</u>
Long term liabilities other than provisions			
7	Other debts	832.375	375.000
	Total long term liabilities other than provisions	<u>832.375</u>	<u>375.000</u>
	Trade payables	777.134	1.174.342
	Other payables	48.483	99.087
	Total short term liabilities other than provisions	<u>825.617</u>	<u>1.273.429</u>
	Total liabilities other than provisions	<u>1.657.992</u>	<u>1.648.429</u>
	Total equity and liabilities	<u>2.747.251</u>	<u>3.246.067</u>
8	Charges and security		
9	Contingencies		

Notes

All amounts in DKK.

	<u>2022</u>	<u>2021</u>
1. Staff costs		
Salaries and wages	1.312.647	1.363.657
Other costs for social security	6.626	5.775
Other staff costs	9.865	4.887
	<u>1.329.138</u>	<u>1.374.319</u>
Average number of employees	<u>2</u>	<u>2</u>
2. Other financial expenses		
Other financial costs	74.120	4.825
	<u>74.120</u>	<u>4.825</u>
	<u>31/12 2022</u>	<u>31/12 2021</u>
3. Investments in group enterprises		
Acquisition sum, opening balance	40.001	40.001
Cost end of period	<u>40.001</u>	<u>40.001</u>
Revaluations, opening balance	-40.001	-124.867
Results for the year before goodwill amortisation	-192.956	-116.246
Subsidy	192.000	194.000
Revaluation end of period	<u>-40.957</u>	<u>-47.113</u>
Offsetting against debtors	956	612
Transferred to provisions	0	6.500
Set off against debtors and provisions for liabilities	<u>956</u>	<u>7.112</u>
Carrying amount, end of period	<u>0</u>	<u>0</u>
Group enterprises:		
	Domicile	Equity interest
Patentselskabet af 30. november 2014 ApS	Esbjerg	100 %

Notes

All amounts in DKK.

	<u>31/12 2022</u>	<u>31/12 2021</u>
4. Deposits		
Cost opening balance	30.299	13.020
Additions during the year	<u>0</u>	<u>17.279</u>
Cost end of period	<u>30.299</u>	<u>30.299</u>
Carrying amount, end of period	<u>30.299</u>	<u>30.299</u>
5. Contributed capital		
Contributed capital opening balance	75.000	75.000
Capital increase	<u>2.965</u>	<u>0</u>
	<u>77.965</u>	<u>75.000</u>
6. Retained earnings		
Retained earnings opening balance	1.516.138	594.044
Profit or loss for the year brought forward	-2.275.519	-1.461.905
Capital increase premium	<u>1.764.175</u>	<u>2.383.999</u>
	<u>1.004.794</u>	<u>1.516.138</u>

7. Other debts

Under other debt is convertible notes with amount of 745 TDKK. The debts can be converted into equity.

8. Charges and security

None.

9. Contingencies

Contingent liabilities

The company has entered into an office lease with an annual lease payment of 138 t.DKK

The company has issued a letter of support for the subsidiary company.

Notes

All amounts in DKK.

9. Contingencies (continued)

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.