

Exowave ApS

Kanalen 1, 6700 Esbjerg

Annual report

1 January - 31 December 2020

Company reg. no. 36 47 78 65

The annual report was submitted and approved by the general meeting on the 3 March 2021.

Martin Nissen Dahl
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British 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 report

Today, the board of directors and the managing director have presented the annual report of Exowave ApS for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January - 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Esbjerg, 25 January 2021

Managing Director

Martin Nissen Dahl

Board of directors

Martin Nissen Dahl

Lars Wigant

Michael Smedegaard

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 2020, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Esbjerg, 25 January 2021

Martinsen

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

Alexander 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 6th financial year |
| Board of directors | Martin Nissen Dahl Lars Wigant Michael Smedegaard |
| Managing Director | Martin Nissen Dahl |
| Auditors | Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N |
| Subsidiary | Patentselskabet af 30. november 2014 ApS, Esbjerg |

Management commentary

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 operates activities in development, production, licensing or as provider of services based on renewable energy from the oceans directed towards production of fresh water, electricity, or Hydrogen (Power-to-X).

Development in activities and financial matters

The results from ordinary activities after tax are in 2020 DKK -501.560 against DKK -330.485 last year. The result for the year is considered by the management to be satisfactory.

The result reflects the planned activities and further, that the company successfully has issued 12.000 new shares in 2020. These new share supports the company with DKK 1.500.000 in 2020 and expected DKK 500.000 in 2021. The accumulated number of shares is by the year end 75.000.

Treasury shares

The enterprise's holding of treasury shares is 6.000 shares at DKK 1 each, corresponding to 8 % of the contributed capital.

During the year, the enterprise acquired 13.000 treasury shares at DKK 1 each. The purchase price amounts to DKK 13.000. The purpose for the acquisition was to resell to new investors.

During the year, the enterprise disposed of 7.000 treasury shares at DKK 1 each. The selling price was DKK 166,666.

Expected developments

Exowave holds the intellectual property rights to a wave energy converter (WEC) to harvest energy from the oceans and generate hydraulic mass pressure. The WEC-platform enables ocean powered solutions for different purposes such as Wave-to-Energy (electricity), Wave-to-Water (desalinated freshwater) and Power-to-X (purified water for Hydrogen production by electrolysis). The production of energy as mass pressure is totally carbon neutral and has no emissions.

The company's ongoing investments since being founded in 2014 has secured patent rights in Denmark, France, Germany, United Kingdom, Australia, Canada, China, Japan, Mexico and USA as 100 percent owner of the subsidiary Patentselskabet af 30. november 2014 ApS. Further nations will follow.

Management commentary

Expected developments

In December 2020, Exowave was approved a DKK 4,5 million grant from EUDP for its innovative cleantech project “Exowave, Water, Electricity and PtX”. EUDP (Energy Technology Development and Demonstration Program) under the Danish Ministry of Climate, Energy and Utilities supports private companies and universities to develop and demonstrate new energy technologies. Support is given in accordance with EU state aid rules.

The project consists in the development and demonstration of the Exowave WEC10 wave energy converter in combination with a bespoke desalination system to produce pure water to be used for hydrogen production. The demonstration offshore will take place in late summer 2021 in the North Sea at the north west coast of Denmark. This approval will allow the company to increase the pace of its development and get closer to the commercial deployment of its technology.

The project is an integrated part of Exowave’s planned development to secure the WEC-platform’s 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. The management considers the Technology Readiness Level, TRL, to be at the stage of 6 (Technology validated in relevant environment) in 2021. The score is within the scale from TRL level 1 (Basic principles observed) to TRL 9 (Actual system proven in operational environment)

The company has in 2020 established offices in Esbjerg, Denmark, to facilitate progression and success in the ongoing development projects and as company address for the management and staff.

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 2020 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 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. Recognition of revenue is 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 for distribution, sales, advertisement, administration and premises.

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.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' 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.

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.

Accounting policies

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 group enterprises 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

Equity in group enterprises

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity in group enterprises 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.

Equity in group enterprises with a negative equity value 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.

Deposits

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

Accounting policies

Receivables

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

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

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 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.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

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.

Accounting policies

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.

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>2020</u> | <u>2019</u> |
|---|-----------------|-----------------|
| Gross loss | -128.723 | -32.787 |
| Income from equity investments in group enterprises | -370.910 | -324.754 |
| Other financial income from group enterprises | 0 | 27.056 |
| 1 Other financial costs | -1.927 | 0 |
| Pre-tax net profit or loss | -501.560 | -330.485 |
| Tax on ordinary results | 0 | 0 |
| Net profit or loss for the year | -501.560 | -330.485 |
| Proposed appropriation of net profit: | | |
| Reserves for net revaluation according to the equity method | -246.043 | 246.043 |
| Allocated from retained earnings | -255.517 | -576.528 |
| Total allocations and transfers | -501.560 | -330.485 |

Statement of financial position at 31 December

All amounts in DKK.

| Assets | | |
|---|-------------------------|-----------------------|
| <u>Note</u> | <u>2020</u> | <u>2019</u> |
| Non-current assets | | |
| 2 Equity investments in group enterprises | 0 | 286.044 |
| 3 Deposits | 13.020 | 3.000 |
| Total investments | <u>13.020</u> | <u>289.044</u> |
| Total non-current assets | <u>13.020</u> | <u>289.044</u> |
| Current assets | | |
| Receivables from group enterprises | 0 | 36.810 |
| Other receivables | 36.111 | 3.796 |
| Prepayments and accrued income | 9.280 | 0 |
| Total receivables | <u>45.391</u> | <u>40.606</u> |
| Cash on hand and demand deposits | <u>1.008.948</u> | <u>0</u> |
| Total current assets | <u>1.054.339</u> | <u>40.606</u> |
| Total assets | <u>1.067.359</u> | <u>329.650</u> |

Statement of financial position at 31 December

All amounts in DKK.

| Equity and liabilities | | <u>2020</u> | <u>2019</u> |
|--|--|-------------------------|------------------------|
| <u>Note</u> | | | |
| Equity | | | |
| 4 | Contributed capital | 75.000 | 63.000 |
| 5 | Reserve for net revaluation according to the equity method | 0 | 246.043 |
| 6 | Retained earnings | 594.044 | -705.106 |
| | Total equity | <u>669.044</u> | <u>-396.063</u> |
| Provisions | | | |
| | Other provisions | 6.813 | 0 |
| | Total provisions | <u>6.813</u> | <u>0</u> |
| Liabilities other than provisions | | | |
| | Bank loans | 0 | 687 |
| | Trade payables | 16.502 | 15.000 |
| | Payables to shareholders and management | 375.000 | 710.026 |
| | Total short term liabilities other than provisions | <u>391.502</u> | <u>725.713</u> |
| | Total liabilities other than provisions | <u>391.502</u> | <u>725.713</u> |
| | Total equity and liabilities | <u>1.067.359</u> | <u>329.650</u> |
| 7 | Charges and security | | |
| 8 | Contingencies | | |

Notes

All amounts in DKK.

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| 1. Other financial costs | | |
| Other financial costs | 1.927 | 0 |
| | <u>1.927</u> | <u>0</u> |
| | <u>31/12 2020</u> | <u>31/12 2019</u> |
| 2. Equity investments in group enterprises | | |
| Acquisition sum, opening balance | 40.001 | 40.000 |
| Additions during the year | 0 | 1 |
| Cost end of period | <u>40.001</u> | <u>40.001</u> |
| Revaluations, opening balance | 246.043 | -529.203 |
| Adjustment of previous revaluations | 0 | -122.304 |
| Results for the year before goodwill amortisation | -370.910 | -202.450 |
| Subsidy | 0 | 1.100.000 |
| Revaluation end of period | <u>-124.867</u> | <u>246.043</u> |
| Offsetting against debtors | 78.053 | 0 |
| Transferred to provisions | 6.813 | 0 |
| Set off against debtors and provisions for liabilities | <u>84.866</u> | <u>0</u> |
| Carrying amount, end of period | <u>0</u> | <u>286.044</u> |

Financial highlights for the enterprises according to the latest approved annual reports

| | Equity interest | Equity | Results for the year | Carrying amount, Exowave ApS |
|--|--------------------|----------------|-------------------------|------------------------------------|
| Patentselskabet af 30. november 2014 ApS, Esbjerg | 100 % | -84.865 | -370.910 | 0 |
| | | <u>-84.865</u> | <u>-370.910</u> | <u>0</u> |

Notes

All amounts in DKK.

| | <u>31/12 2020</u> | <u>31/12 2019</u> |
|--|-----------------------|------------------------|
| 3. Deposits | | |
| Cost opening balance | 3.000 | 3.000 |
| Additions during the year | 13.020 | 0 |
| Disposals during the year | <u>-3.000</u> | <u>0</u> |
| Cost end of period | <u>13.020</u> | <u>3.000</u> |
| | | |
| Carrying amount, end of period | <u>13.020</u> | <u>3.000</u> |
| | | |
| 4. Contributed capital | | |
| Contributed capital opening balance | 63.000 | 63.000 |
| Capital increase | <u>12.000</u> | <u>0</u> |
| | <u>75.000</u> | <u>63.000</u> |
| | | |
| 5. Reserve for net revaluation according to the equity method | | |
| Reserves for net revaluation opening balance | 246.043 | 0 |
| Share of results | <u>-246.043</u> | <u>246.043</u> |
| | <u>0</u> | <u>246.043</u> |
| | | |
| 6. Retained earnings | | |
| Retained earnings opening balance | -705.106 | -128.578 |
| Profit or loss for the year brought forward | -255.517 | -576.528 |
| Capital increase premium | <u>1.554.667</u> | <u>0</u> |
| | <u>594.044</u> | <u>-705.106</u> |
| | | |
| 7. Charges and security | | |
| None. | | |

Notes

All amounts in DKK.

8. Contingencies

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.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

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

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Lars Wigant

Bestyrelsesmedlem

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Martin Nissen Dahl

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Michael Smedegaard

Bestyrelsesmedlem

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Alexander Rasmussen

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