BUUS JENSEN
Statsautoriserede
Revisorer

Tantaline CVD ApS

Nordborgvej 81, 6430 Nordborg

Company reg. no. 38 25 45 45

Annual report

1 January - 31 December 2022

The annual report was submitted and approved by the general meeting on the 25 May 2023.

Søren Skov
Chairman of the meeting

Contents

Notes to users of the English version of this document:
- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

Management's statement

Today, the board of directors and the managing director have presented the annual report of Tantaline CVD ApS for the financial year 1 January - 31 December 2022.

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 2022 and of the company's results of activities in the financial year 1 January – 31 December 2022.

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 at the Annual General Meeting.

Nordborg, 25 May 2023

Managing Director

Emmanuel Lakios

Board of directors

Emmanuel Lakios chairman	Richard Andrew Catalano	Søren Skov

Independent auditor's report

To the Shareholder of Tantaline CVD ApS

Opinion

We have audited the financial statements of Tantaline CVD ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the annual accounts, which indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. It is a material condition for the company's ability to continue as a going concern that the company will move into new facilities and that the expected revenue for the remainging of 2023 is realized. Our opinion is not modified 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 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.

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.

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

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

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

Copenhagen, 25 May 2023

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

The company	Tantaline CVD ApS Nordborgvej 81 6430 Nordborg	
	Company reg. no.	38 25 45 45
	Established:	14 December 2016
	Domicile:	Sønderborg, Denmark
	Financial year:	1 January - 31 December
Board of directors	Emmanuel Lakios, chairman Richard Andrew Catalano Søren Skov	
Managing Director	Emmanuel Lakios	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Tantaline CVD Holding ApS	

The principal activities of the company

The principal activities are treatment of metal components.

Development in activities and financial matters

Income or loss from ordinary activities after tax totals DKK 2.977.000 against DKK 3.620.000 last year. Management considers the net profit or loss for the year satisfactory.

The net profit for the year is affected by exchange rate adjustments of payables to group enterprises of DKK -713,000 (2021: DKK -851,000). The exchange rate adjustments are recognized as other financial costs.

As the equity represents less than half of the subscribed capital, the Company is subject to the Danish Companies Act section 119 regarding loss of capital. The company received a capital contribution of 7,4 million DKK in 2023 from its current shareholder to recover the equity.

Management refers to note 1 in the financial statements, in which the management describes the company's financial situation.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2022	2021
	Gross profit	**8.160.583**	**8.337.272**
2	Staff costs	-4.381.172	-3.737.065
	Depreciation and impairment of property, land, and equipment	-101.934	-12.573
	Operating profit	**3.677.477**	**4.587.634**
	Other financial income	31.104	0
3	Other financial costs	-731.644	-967.641
	Pre-tax net profit or loss	**2.976.937**	**3.619.993**
	Tax on net profit or loss for the year	0	0
	Net profit or loss for the year	**2.976.937**	**3.619.993**
	Proposed distribution of net profit:		
	Transferred to retained earnings	2.976.937	3.619.993
	Total allocations and transfers	**2.976.937**	**3.619.993**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2022	2021
	Non-current assets		
5	Patents, licenses, trademarks, and similar rights acquired	0	0
	Total intangible assets	0	0
6	Plant and machinery	208.819	100.582
	Total property, plant, and equipment	208.819	100.582
	Total non-current assets	**208.819**	**100.582**
	Current assets		
	Raw materials and consumables	142.144	32.936
	Total inventories	142.144	32.936
	Trade receivables	3.116.046	278.307
	Other receivables	14.117	0
	Prepayments and accrued income	18.980	15.652
	Total receivables	3.149.143	293.959
	Cash on hand and demand deposits	3.978.729	3.143.375
	Total current assets	**7.270.016**	**3.470.270**
	Total assets	**7.478.835**	**3.570.852**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		2022	2021
	Equity		
	Contributed capital	50.000	50.000
	Retained earnings	-6.006.824	-8.983.761
	Total equity	**-5.956.824**	**-8.933.761**
	Liabilities other than provisions		
	Trade payables	487.439	566.529
4	Payables to group enterprises	12.098.275	11.412.068
	Other payables	849.945	513.808
	Deferred income	0	12.208
	Total short term liabilities other than provisions	13.435.659	12.504.613
	Total liabilities other than provisions	**13.435.659**	**12.504.613**
	Total equity and liabilities	**7.478.835**	**3.570.852**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

7 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	50.000	-12.603.754	-12.553.754
Retained earnings for the year	0	3.619.993	3.619.993
Equity 1 January 2022	50.000	-8.983.761	-8.933.761
Retained earnings for the year	0	2.976.937	2.976.937
	50.000	**-6.006.824**	**-5.956.824**

All amounts in DKK.

	2022	2021

1. Uncertainties concerning the enterprise's ability to continue as a going concern

Terms regarding the sale of the company have been agreed in May 2023, and Closing is expected to occur before the end of May.

Prior to Closing, the company received a capital contribution of 7,4 million DKK from its current shareholder to recover the equity. The remainder of the loan payable to group enterprises has been repaid in 2023.

The new investors plan to move the company into new facilities as the existing has been terminated, as well as to invest in operations.

The company has experienced delays with deliveries from customers resulting in revenue below budget, especially for April and May. It is the expectation that orders already booked instead will generate revenue in Q3.

It is a material condition for the company's ability to continue as a going concern that the above assumptions are being met.

Based on the above actions and assumptions, Management expects the company to have the necessary liquidity to finance the planned activities for the coming year. The financial statements have been prepared in accordance with the going concern principle.

2. Staff costs

	2022	2021
Salaries and wages	3.989.164	3.395.263
Pension costs	311.435	263.518
Other costs for social security	80.573	78.284
	4.381.172	**3.737.065**
Average number of employees	8	7

<u>Share-based remuneration:</u>

Tantaline CVD ApS is part of the CVD Equipment Corporation Group ("CVD"). CVD issued 10,000 stock options under their Incentive Compensation Plan to an employee of Tantaline CVD ApS. The terms of the grant are 4-year vesting, 10-year life at the closing stock price on 15 July 2021 of $4.01, the date of grant. The eligible employee of Tantaline CVD ApS is granted options to purchase common stock shares of CVD. Options are approved by the Board of Directors of CVD. The option exercise price per share is approved by the Board. The share-based remuneration is recognized in the income statement as salary costs when the options are exercised.

Notes

All amounts in DKK.

		2022	2021
3.	**Other financial costs**		
	Other financial costs	731.644	967.641
		731.644	**967.641**

4. Payables to group enterprises

The loan payable does not have an established maturity date or required payments.

		2022	2021
5.	**Patents, licenses, trademarks, and similar rights acquired**		
	Cost 1 January 2022	705.000	705.000
	Cost 31 December 2022	**705.000**	**705.000**
	Amortisation and writedown 1 January 2022	-705.000	-705.000
	Amortisation and writedown 31 December 2022	**-705.000**	**-705.000**
	Carrying amount, 31 December 2022	**0**	**0**

		2022	2021
6.	**Plant and machinery**		
	Cost 1 January 2022	2.865.943	2.752.788
	Additions during the year	210.170	113.155
	Cost 31 December 2022	**3.076.113**	**2.865.943**
	Depreciation and writedown 1 January 2022	-2.765.361	-2.752.788
	Amortisation and depreciation for the year	-101.933	-12.573
	Depreciation and writedown 31 December 2022	**-2.867.294**	**-2.765.361**
	Carrying amount, 31 December 2022	**208.819**	**100.582**

7. Contingencies

Contingent liabilities

	31/12 2022 DKK in thousands
Total contingent liabilities	114

Notes

All amounts in DKK.

7. Contingencies (continued)

Joint taxation

With Tantaline CVD Holding ApS, company reg. no 38254111 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for 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 total tax payable under the joint taxation scheme totals DKK 0.

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 tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Tantaline CVD 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.

Recognition and measurement in general

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

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

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

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

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

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

Income statement

Gross profit

Gross profit comprises the revenue, cost of sales, and external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

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

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

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

Staff costs

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

Depreciation, amortisation, and writedown for impairment

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

Financial income and expenses

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

Results from

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 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

Intangible assets

Patents, and licences

IP rights are measured at cost less accrued amortisation. IP rights are amortised on a straightline basis over the estimated useful economic life. The amortisation period is 10 years.

Profit and loss from the sale of IP rights are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Plant and machinery

Plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	3-5 years	0%

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

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

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.

Inventories

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

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

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

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

Receivables

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

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.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, Tantaline CVD ApS is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

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.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Søren Skov
Bestyrelsesmedlem
Serial number: 55c29ace-e715-4de5-aea1-e3d6c7a6c40a
IP: 185.187.xxx.xxx
2023-05-25 20:06:56 UTC

Richard Andrew Catalano
Bestyrelsesmedlem
Serial number: rcatalano@cvdequipment.com
IP: 98.113.xxx.xxx
2023-05-25 21:09:51 UTC

Emmanuel Lakios
Direktør
Serial number: elakios@cvdequipment.com
IP: 213.16.xxx.xxx
2023-05-25 21:25:52 UTC

Emmanuel Lakios
Bestyrelsesformand
Serial number: elakios@cvdequipment.com
IP: 213.16.xxx.xxx
2023-05-25 21:25:52 UTC

Michael Thorngreen Markussen
Statsautoriseret revisor
Serial number: d582a147-b8d6-4839-9066-da898c7f9bb5
IP: 87.52.xxx.xxx
2023-05-25 21:27:41 UTC

Søren Skov
Dirigent
Serial number: 55c29ace-e715-4de5-aea1-e3d6c7a6c40a
IP: 82.163.xxx.xxx
2023-05-26 05:29:54 UTC

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