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STIESDAL STORAGE A/S
VEJLEVEJ 270, 7323 GIVE
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 28 April 2023**

Mette Godsk Trandbohus

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COMPANY DETAILS

Company	Stiesdal Storage A/S Vejlevej 270 7323 Give CVR No.: 38 91 01 83 Established: 1 September 2017 Municipality: Odense Financial Year: 1 January - 31 December
Board of Directors	Kim Schønnemann Bøttkjær, chairman Peder Riis Nickelsen Ole Martin Alm Henrik Stiesdal Henrik Wej Petersen
Executive Board	Peder Riis Nickelsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C
Bank	Nordea Bank Danmark A/S Vestre Stationsvej 7 5000 Odense C

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Stiesdal Storage A/S for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Give, 28 April 2023

Executive Board

Peder Riis Nickelsen

Board of Directors

Kim Schønnemann Bøttkjær
Chairman

Peder Riis Nickelsen

Ole Martin Alm

Henrik Stiesdal

Henrik Wej Petersen

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stiesdal Storage A/S

Opinion

We have audited the Financial Statements of Stiesdal Storage A/S 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. 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 assets, liabilities and 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 (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter

We draw attention to the note "Information on uncertainty with respect to recognition and measurement" in the Financial Statements, which describes the uncertainty connected to the recognized deferred tax assets of DKK 23.7 m. Our conclusion is not modified with respect to 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:

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 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 Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

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

Odense, 28 April 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
MNE no. mne31412

MANAGEMENT COMMENTARY

Principal activities

The principal activities comprise of design and licensing of the Stiesdal GridScale Energy storage system.

Recognition and measurement uncertainty

Deferred tax assets

In the 2022 Financial Statements, a tax asset of DKK 23.7 m is recognized. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.

Other provisions for liabilities

In the 2022 Financial Statements provisions for liabilities of DKK 31.1 m are recognized relating to entered agreements in connection with construction of a prototype plant on the island of Lolland, Denmark, as described in the note to the Financial Statements on intangible assets. The GridScale prototype project is currently hibernated, but the company still expects to deliver the plant. Except for the provision for liabilities Management also expects to incur costs in connection with the construction of the plant, which according to Management's assessment is expected to fulfil the criteria for recognition and activation as development costs. It is Management's assessment that the provision for liabilities corresponds to the loss that the Company will realize in connection with construction and handover of the plant.

Development in activities and financial and economic position

The Company has incurred development costs of DKK 1.7 m in the financial year which have been used to complete specific ongoing development work not directly linked to the Lolland prototype project. Even though the GridScale project has been hibernating the Company has had payments of DKK 19.9 m to fulfill precommitted obligations related to the project. During 2022 staff from Stiesdal Storage have been lent out to other entities within the Stiesdal Group. At the beginning of 2022 the company had a substantiable intercompany balance payable of DKK 26 m which has been cleared. The current intercompany balance shows receivable of net DKK 2.5 m.

Management expects profitable operations in 2026, which is supported by budgets, market surveys and the general high potential of the technology. The Management considers the result of the year to be satisfactory.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2022 DKK	2021 DKK '000
GROSS PROFIT		5,686,782	-385
Staff costs.....	1	-6,674,413	-5,099
Depreciation, amortisation and impairment.....	2	-1,666,451	-89,954
OPERATING LOSS		-2,654,082	-95,438
Other financial income.....	3	199,557	0
Other financial expenses.....	4	-1,260,178	-984
LOSS BEFORE TAX		-3,714,703	-96,422
Tax on profit/loss for the year.....	5	2,235,261	23,190
LOSS FOR THE YEAR		-1,479,442	-73,232
PROPOSED DISTRIBUTION OF PROFIT			
Retained earnings.....		-1,479,442	-73,232
TOTAL		-1,479,442	-73,232

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK '000
Development projects in progress and prepayments.....		0	0
Intangible assets	6	0	0
Other plant, machinery, tools and equipment.....		7,765	0
Property, plant and equipment	7	7,765	0
NON-CURRENT ASSETS		7,765	0
Receivables from group enterprises.....		4,826,277	0
Deferred tax assets.....		23,715,936	22,208
Other receivables.....		76,880	1,659
Corporation tax receivable.....		726,978	1,015
Prepayments and accrued income.....		5,483	1
Receivables	8	29,351,554	24,883
Cash and cash equivalents		51,728,223	104,569
CURRENT ASSETS		81,079,777	129,452
ASSETS		81,087,542	129,452
EQUITY AND LIABILITIES			
Share capital.....		24,730,002	24,730
Retained profit.....		21,794,856	23,274
EQUITY		46,524,858	48,004
Other provisions for liabilities.....	9	31,103,751	50,923
PROVISIONS		31,103,751	50,923
Trade payables.....		565,781	2,348
Payables to group enterprises.....		2,311,598	26,021
Payables to owners and management.....	10	15,567	16
Other liabilities.....		565,987	503
Accruals and deferred income.....		0	1,637
Current liabilities		3,458,933	30,525
LIABILITIES		3,458,933	30,525
EQUITY AND LIABILITIES		81,087,542	129,452
Contingencies etc.	11		
Charges and securities	12		
Information on uncertainty with respect to recognition and measurement	13		

EQUITY

	Share capital	Reserve for development costs	Retained profit	Total
Equity at 1 January 2022.....	24,730,002	0	23,274,298	48,004,300
Proposed profit allocation.....			-1,479,442	-1,479,442
Other legal bindings				
Capitalized development costs.....		1,665,995	-1,665,995	0
Impairments in the year.....		-1,665,995	1,665,995	0
Equity at 31 December 2022.....	24,730,002	0	21,794,856	46,524,858

NOTES

	2022 DKK	2021 DKK '000	Note
Staff costs			1
Average number of employees	8	7	
Wages and salaries.....	5,702,673	4,373	
Pensions.....	754,091	593	
Social security costs.....	82,792	39	
Other staff costs.....	134,857	94	
	6,674,413	5,099	
Special items			2
The Company has under depreciation, amortization and impairment losses recognized an impairment of the Company's development projects.			
	2022 DKK	2021 DKK '000	
Impairment of development projects (recognised in depreciation, amortisation and impairment).....	1,665,995	89,954	
	1,665,995	89,954	
Other financial income			3
Group enterprises.....	74,934	0	
Other interest income.....	124,623	0	
	199,557	0	
Other financial expenses			4
Group enterprises.....	800,558	626	
Other interest expenses.....	459,620	358	
	1,260,178	984	
Tax on profit/loss for the year			5
Calculated tax on taxable income of the year.....	-726,978	-1,015	
Adjustment of deferred tax.....	-1,508,283	-22,175	
	-2,235,261	-23,190	

NOTES

		Note
Intangible assets		6
	Development projects in progress and prepayments	
Cost at 1 January 2022.....	89,953,846	
Additions.....	1,665,995	
Cost at 31 December 2022.....	91,619,841	
Revaluation at 1 January 2022.....	-89,953,846	
Revaluation of the year.....	-1,665,995	
Revaluation at 31 December 2022.....	-91,619,841	
Carrying amount at 31 December 2022.....	0	
<p>The development costs in the year have been used to complete specific ongoing development work not directly linked to the Lolland prototype project.</p> <p>Management has considerable expectations for GridScale technology, which is supported by budgets, market surveys and the general demand in the world market for green technologies. The technology enables cost complete mid-term storage of energy.</p> <p>The first full-scale plant for thermal energy storage has been planned on the island of Lolland, Denmark. The project is currently hibernated. The machinery, which has been ordered at an early stage of the project has shown not to be suitable for a later commercial version of the plant. The Company has realized that the equipment can be used for demonstration purposes only and will not fulfill the requirements for an optimized commercial system in production.</p> <p>Consequently, a new topology for the turbo machinery, which supports the requirement for competitive solutions and the expected cost and performance levels must be developed.</p> <p>These acknowledgements have led Management to make an impairment in 2021 of the development costs of the first full-scale plant for thermal energy storage. As the assumptions have not changed during 2022 this remains the position of Management.</p>		
Property, plant and equipment		7
	Other plant, machinery, tools and equipment	
Additions.....	8,221	
Cost at 31 December 2022.....	8,221	
Depreciation for the year.....	456	
Depreciation and impairment losses at 31 December 2022.....	456	
Carrying amount at 31 December 2022.....	7,765	

NOTES

	2022 DKK	2021 DKK '000	Note
Receivables falling due after more than one year			8
Deferred tax assets.....	23,715,936	22,208	
	23,715,936	22,208	
Other provisions for liabilities			9
The due dates for provisions are expected to be:			
0-1 year.....	8,791,000	26,531	
> 1 year og < 5 years.....	22,312,751	24,392	
	31,103,751	50,923	
The provision concerns a loss-making contract.			
Payables to owners and management			10
Stiesdal Holding A/S.....	15,567	16	
	15,567	16	
Payables to owners and management comprise of joint taxation contribution to the previous Management Company.			
Contingencies etc.			11
Joint liabilities			
The Company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.			
Tax payable on the Group's joint taxable income is stated in the annual report of Stiesdal A/S, which serves as Management Company for the joint taxation.			
Charges and securities			12
The company has no charges and securities as of 31 December 2022.			

NOTES

Note

Information on uncertainty with respect to recognition and measurement

13

Deferred tax assets

In the 2022 Financial Statements, a tax asset of DKK 23.7 m is recognized. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 4-7 years.

Other provisions for liabilities

In the 2022 Financial Statements provisions for liabilities of DKK 31.1 m are recognized relating to entered agreements in connection with construction of a prototype plant on the island of Lolland, Denmark, as described in the note to the Financial Statements on intangible assets. The GridScale prototype project is currently hibernated, but the company still expects to deliver the plant. Except for the provision for liabilities Management also expects to incur costs in connection with the construction of the plant, which according to Management's assessment is expected to fulfil the criteria for recognition and activation as development costs. It is Management's assessment that the provision for liabilities corresponds to the loss that the Company will realize in connection with construction and handover of the plant.

ACCOUNTING POLICIES

The Annual Report of Stiesdal Storage A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

Change as a result of changed presentation

In the 2021 annual report, the capitalization of staff costs related to capitalized development projects was offset against staff costs, which was not in accordance with the gross principle in the Danish Financial Statements Act. Capitalization of staff costs should be included in the accounting item "Own work, recognized under assets".

The changed presentation has been incorporated into the comparative figures in the 2022 annual report, resulting in an increase of DKK 4,086k in the accounting item "Own work, recognized under assets" and "Gross profit" in the income statement, and an increase of DKK 4,086k in the accounting item "Staff costs". The changed presentation has no impact on the results for 2021. The equity and total assets for 2021 are not affected.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

When the result of contract work cannot be assessed reliably, revenue is only recognised corresponding to related costs to the extent that it is likely that they will be recovered.

Own work, recognised under assets

Own work, recognised under assets comprise staff costs incurred in the financial year and is included in the cost price for self-developed intangibles fixed assets.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, operating loss and conflict compensations, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Intangible fixed assets

Development projects in progress and prepayments comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company’s development activities and which fulfil the criteria for recognition.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Other plants, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	3-5 years	0-25 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of tangible assets are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring etc. and deferred tax.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

When it is likely that the total costs will exceed the total income on the contract work in progress, a provision is made for the total loss that is anticipated for the contract. The provision is recognised as a cost under development projects in progress and prepayments.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the on account tax scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

ACCOUNTING POLICIES

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Accruals, liabilities

Accruals recognised as liabilities include payments received regarding income in subsequent years.