INNARGI A/S
Annual Report 2021

INNARGI

Lyngby Hovedgade 85
DK – 2800 Kongens Lyngby

Innargi.com
CVR 39 18 30 56

Date 25 March 2022
Chair of the meeting Morten Stakroge

Contents

Company information

Innargi A/S
Lyngby Hovedgade 85
2800 Kongens Lyngby

Homepage: www.innargi.com
Business Registration No.: 39 18 30 56
Founded: 21 December 2017

BOARD OF DIRECTORS

Claus V. Hemmingsen (Chairperson)
Edda Sif Pind Aradóttir
Anders Eldrup
Pernille Lyngvold Erenberg

EXECUTIVE BOARD

Samir Abboud

AUDITOR

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management Review

The ambition of Innargi is to heat millions of urban homes while leaving zero impact on the planet by developing geothermal heat for district heating. In Denmark, geothermal energy has the potential to cover approx. 30% of Denmark´s energy supply for district heating. Outside of Denmark, the potential is even larger, as European cities are phasing out coal, gas, and biomass to meet green climate targets.

2021 was a very busy and fruitful year for Innargi.

In June 2021, we changed our name to Innargi – referring to geothermal energy being a sustainable energy source originating from the inner core of the Earth.

Our business model stands out from existing projects (local small-scale plants), as we industrialise geothermal heating by utilising geothermal energy on a large scale.

Innargi offers an unique end-to-end heat service by Innargi taking responsibility for the subsurface and operations, minimising operational risk for district heating companies.

Our geothermal technology is focused on well-understood reservoirs with possibility to take advantage of low temperature geothermal reservoirs well suited for district heating. And we have developed a flexible, standardised, modularised system with small unit sizes which can be integrated into city surroundings at low costs.

We are granted patents that covers the invention related to the modularised, industrialised geothermal plant design and the way the geothermal plant facilities are built with modularised erected process equipment modules. Innargi has patent protection in 19 countries in Europe.

In the end of 2021, Innargi raised capital from Denmark's state owned and largest pension fund, ATP, and the Danish co-operative utility company, NRGi. When the capital raise is fully implemented, ATP will own 37% of the shares in Innargi and NRGi will be the owner of 20%. The remaining shareholding is controlled by our founders A.P. Moller Holding.

In December 2021, a large majority in the Danish Parliament agreed on a new pricing regulation for geothermal district heating, eliminating the remaining regulatory barriers for large scale geothermal projects in Denmark.

Furthermore, negotiations with Aarhus district heating company, AffaldVarme Aarhus, on EU's largest geothermal plant were completed and the contract made ready for signing.

Aarhus municipality has 330,000 citizens and 180,000 households. 95% of the households are connected to the district heating system. The planned capacity of the geothermal heating plant in Aarhus is 110MW, equalling 20% of Aarhus' district heating demand. The annual CO2 emissions are expected to be reduced by up to 165,000 tonnes.

Subject to a successful appraisal phase, the geothermal plant will be completed in 2029 with an expected operation of at least 30 years.

PROFIT/LOSS FOR THE YEAR

Net loss for the year after tax amounted to DKK 24.3m (DKK 8.3m). Net loss for the year is affected by expenses related to the license for geothermal exploration in Central Jutland and North Zealand as these geographical areas will not be pursued further by the company.

The result for the year is proposed transferred to retained earnings. No dividend is proposed for 2021.

As of 31 December 2021, the equity amounted to DKK 67.1m (DKK 66.4m).

OUTLOOK FOR 2022

The development of the geothermal energy project will continue in 2022. The company's profit will essentially come from the share of the profit of its future activities. As for 2022, a net loss for the year is expected due to the continuing development of the geothermal energy project.

Income Statement for 1 January to 31 December

Note	Amounts in DKK ‘000	2021	2020
	Other external expenses	-13,952	-66
1	Staff costs	-11,505	0
2	Depreciation and impairment losses	-9,225	-10,308
	Loss before financial items	**-34,682**	**-10,374**
3	Other financial income	10	0
	Other financial expenses	-58	-47
	Loss before tax	**-34,730**	**-10,421**
4	Tax on loss for the year	10,461	2,094
	Net loss for the year	**-24,269**	**-8,327**

	Distribution of net loss for the year		
	Reserve for development costs	-3,554	7,002
	Retained earnings	-20,715	-15,329
	Net loss for the year	**-24,269**	**-8,327**

Balance Sheet as of 31 December

Assets

Note	Amounts in DKK '000	2021	2020
	Non-current assets		
	Completed development projects, including patents	457	482
5	Project under development	54,824	57,806
	Total intangible assets	**55,282**	**58,288**
	Investments in subsidiaries	**440**	**0**
	Total financial assets	**440**	**0**
	Total non-current assets	**55,722**	**58,288**
	Current assets		
	Tax receivables	8,077	3,885
	Receivables from affiliates	3,957	0
	Other receivables	6,239	2,794
	Prepayments	56	0
	Total receivables	**18,329**	**6,679**
	Cash and bank balances	**4,168**	**12,228**
	Total current assets	**22,497**	**18,907**
	Total assets	**78,219**	**77,195**

Equity and Liabilities

Note	Amounts in DKK '000	2021	2020
	Equity		
	Share capital	500	500
	Reserve for development costs	40,273	43,827
	Retained earnings	26,333	22,048
	Total equity	**67,106**	**66,375**
	Short-term debt		
	Trade payables	2,006	473
	Trade payables, affiliates	7	0
	Deferred tax	4,792	6,567
	Other payables	4,308	3,780
	Total short-term debt	**11,113**	**10,820**
	Total liabilities	**11,113**	**10,820**
	Total equity and liabilities	**78,219**	**77,195**

6 Related parties
7 Contingent liabilities
8 Events after the balance sheet date
9 Accounting policies

Statement of changes in equity

Amounts in DKK '000	Share capital	Reserve for development costs	Retained earnings	Total
Equity as of 1 January 2020	500	36,825	4,577	41,902
Group contribution	0	0	32,800	32,800
Net loss for the year	0	7,002	-15,329	-8,327
Equity as of 31 December 2020	**500**	**43,827**	**22,048**	**66,375**
Group contribution	0	0	25,000	25,000
Net loss for the year	0	-3,554	-20,715	-24,269
Equity as of 31 December 2021	**500**	**40,273**	**26,333**	**67,106**

Note 1: Staff cost

Amounts in DKK ‘000	2021	2020
Wages and salaries	- 14,331	- 11,501
Other social security costs	- 258	- 495
Total remuneration	**- 14,589**	**- 11,996**
Of which:		
Recognised in the cost of assets	3,084	11,996
Expensed as staff costs	**- 11,505**	**0**
Average number of employees	**8**	**7**

Note 2: Depreciation and impairment losses

A total of DKK 9.2m (DKK 10.3m) has been recognised as impairment of development projects in 2021 as the license for geothermal exploration in Central Jutland and North Zealand will not be pursued further by the company.

Note 3: Other financial income

Amounts in DKK ‘000	2021	2020
Interest income, affiliates	7	0
Other financial income	3	0
Total	**10**	**0**

Note 4: Tax on profit/loss for the year

Amounts in DKK ‘000	2021	2020
Tax on profit/loss for the year	8,076	3,885
Adjustment of tax concerning previous years	609	-1,824
Adjustment of deferred tax	1,775	33
Total	**10,460**	**2,094**

Note 5: Project under development

The company is working towards introducing geothermal heating on a large scale in Denmark. Geothermal energy is a renewable and currently almost untapped energy source with the potential to cover approx. 30% of Denmark´s energy supply for district heating.

A team of specialists with extensive experience from large, complex, and capital intensive projects developing the subsurface has been brought together. Such competencies are key in order to exploit geothermal energy. To be ready for the next phases of the project, the organisation is scaling up.

Innargi’s ambition is to utilise geothermal energy on a large scale so we can lower the costs and offer the district heating companies – and the consumers – renewable heating at prices that are competitive today. Our business model means that we are responsible for exploration, construction and operation of the plants. Hence, the consumers will not end up paying the bill if things should not proceed as planned.

At the end of 2021, Innargi raised capital from Denmark’s state owned and largest pension fund, ATP, and the Danish co-operative utility company, NRGi. When the capital raise is fully implemented, ATP will own 37% of the shares in Innargi and NRGi will be the owner of 20%. The rest of the shares are controlled by A.P. Møller Holding.

End of 2021, a large majority in the Danish Parliament agreed on a new pricing regulation for geothermal district heating, eliminating the last regulatory barriers for large scale geothermal projects in Denmark. The political agreement must be transformed into legislation, which is expected to enter into force on the 1 January 2023. The Aarhus project will be covered by the new legislation.

Negotiations with Aarhus district heating company, AffaldVarme Aarhus, on a large geothermal plant was completed and the contract made ready for signing.

The planned capacity of the geothermal heating plant in Aarhus is 110MW, equalling 20% of Aarhus’ district heating demand.

Subject to a successful appraisal phase, the geothermal plant will be completed in 2029 with an expected operation of at least 30 years.

Note 6: Related parties

The company has not entered into any transactions with related parties that were not on an arm's length basis.

Note 7: Contingent liabilities

The company is included in national joint taxation with Danish companies in the A.P. Møller Holding group. The company is jointly and severally liable for the payment of taxes and withholding tax.

Note 8: Events after the balance sheet date

In January 2022 a subsidiary of the company has signed a 30-year agreement to develop and operate EU's largest geothermal heating plant in Aarhus. The agreement is subject to certain conditions and is expected to close during 2022.

No other events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.

Note 9: Accounting policies

The Financial Statements for 2021 for Innargi A/S have been prepared on a going concern basis and in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with a selection of certain rules from reporting class C.

With reference to section 110 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

The accounting policies applied to the financial statements are consistent with those applied last year.

The Financial Statements are presented in DKK. Unless otherwise stated, comparative figures for 2020 has been presented in brackets.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing on the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as per the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

INCOME STATEMENT

Other external expenses
Other external expenses comprise expenses for administration, office supplies, etc.

Staff costs
Staff costs include wages and salaries, including compensated absence, as well as other social security contributions, etc. made to the entity's employees.

Financial items
Other financial income and expenses comprise bank fees, interest and net exchange gains and losses on transactions in foreign currencies etc.

Tax
Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those.

Tax is recognised in the income statement to the extent it arises from items recognised in the income statement.

Note 9: Accounting policies – continued

BALANCE SHEET

Intangible assets
Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries, amortisation and other costs that are directly and indirectly attributable to the development projects.

Development projects are written down to the lower of recoverable amount and carrying amount.

Patents are measured at cost less accumulated depreciations and write-downs or at recoverable amount, if lower. Patents are depreciated over the remaining patent term or a shorter economic life.

Investment in subsidiaries
Investment in subsidiaries are measured at cost. The investments are written down to any lower net realisable value if it is lower than the carrying amount.

Dividends received from subsidiaries are recognised as Income from subsidiaries.

Receivables
Receivables are generally recognised at nominal value, substantially corresponding to amortised cost and impaired for expected losses.

Impairment of receivables are based on the expected loss model as described in IFRS 9.

Cash
Cash comprises cash in bank deposits.

Deferred tax
Deferred tax is provided for, based on the difference between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognised in respect of goodwill which cannot be deducted or amortised for tax purposes, or in respect of temporary differences which at the date of transaction do not affect either profit for the year or taxable income. Moreover, no provision is made for deferred tax on differences relating to investments in subsidiaries and associates to the extent that taxable distribution is not likely in the near future. Deferred tax assets are recognised solely to the extent that the tax asset is likely to be utilised within the near future.

Liabilities
Other financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Management's Statement

The Executive Board and Boards of Directors have today considered and adopted the Annual Report of Innargi A/S for the financial year 1 January–31 December 2021.

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

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the company and of the results of the company operations for 2021.

In our opinion, Management Review includes a true and fair account of the development in the operations and financial circumstances of the company, of the results for the year and of the financial position of the company as well as a description of the most significant risks and elements of uncertainty facing the company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kongens Lyngby, 18 March 2022

Executive Board

Samir Abboud

Board of Directors

Claus Michael Valentin Hemmingsen
Chairperson

Anders Eldrup

Edda Sif Pind Aradóttir

Pernille Lyngvold Erenbjerg

Independent Auditor's Report

To the shareholder of Innargi A/S

OPINION
In our opinion, the Financial Statements give a true and fair view of the financial position of the company at 31 December 2021, and of the results of the company's operations for the financial year 1 January-31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Innargi A/S for the financial year 1 January-31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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' 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.

STATEMENT ON MANAGEMENT REVIEW
Management is responsible for Management Review.

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

Based on the work we have performed, in our view, Management Review 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 in Management Review.

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.

Copenhagen, 18 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Henrik Kyhnauv
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