INNARGI A/S

Annual Report 2023

INNARGI

Lyngby Hovedgade 85
DK – 2800 Kongens Lyngby

Innargi.com
CVR 39 18 30 56

Date 24 April 2024
Chair of the meeting Anne Nord

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 Erenbjerg

EXECUTIVE BOARD

Samir Abboud

AUDITOR

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management Review

The ambition of Innargi is to decarbonise heat for district heating systems on an industrial scale by unlocking the potential of geothermal heating with our unique business model. In Denmark, geothermal energy has the potential to cover approx. 30% of Denmark´s energy demand for district heating. Outside of Denmark, the potential is larger, as European cities are phasing out coal, gas, and biomass to meet green climate targets and achieve higher energy independence.

Geothermal heating has zero emissions and is close to carbon neutral when partnered with solar and wind. It is a local energy, creating energy security for cities and communities.

Innargi has developed a business model in which Innargi assumes responsibility and risks related to the subsurface, from the initial test drilling to supplying the energy from the warm water to the district heating company. That way, both the district heating companies and their customers can be certain that there will be no unanticipated added costs even if things do not go as planned as this risk is sitting with Innargi.

During 2023, the company's subsidiary, Innargi Project I P/S, further progressed the project agreed with the district heating company Kredsløb (formerly AffaldVarme Aarhus) to develop and operate a geothermal heating plant in Aarhus, Denmark. Towards the end of the year, drilling operations were initiated, and the first two appraisal wells were completed in January and March 2024 respectively. Test results are currently being evaluated. Subject to a successful appraisal process, the geothermal plant will be completed in 2030 with an expected operation of at least 30 years. Fully developed, the planned capacity of the geothermal heating plant is 110 MW, equalling 20% of Aarhus' district heating demand, and the annual CO2 emissions are expected to be reduced by up to 165,000 tonnes.

In 2023, Innargi continued its collaboration with district heating companies to explore the potential for delivery of geothermal energy in, among other areas, Copenhagen, Denmark, Poznan, Poland, and Kiel, Germany.

The company's parent company, Innargi Holding A/S, concluded a second investment round with its main shareholders, ATP, the largest pension fund in Denmark, NRGi, a Danish co-operative utility company, and A.P. Moller Holding, the parent company of the A.P. Moller Group.

Innargi A/S continued to develop the organisational capabilities and competencies enabling the performance and continued development of the company. During 2023, the number of employees increased from 29 to 66.

RESULT FOR THE YEAR

Net loss for the year after tax amounted to DKK 128.9m (DKK 60.3m). The result for the year is affected by increased activity and scale up of the organisation.

The result for the year is proposed transferred to retained earnings. No dividend is proposed for 2023.

As of 31 December 2023, the equity amounted to DKK 222.9 m (DKK 81.8m).

Income Statement for 1 January to 31 December

Note	Amounts in DKK '000	2023	2022
	Other external expenses	-59,153	-22,948
1	Staff costs	-76,240	-36,362
2	Depreciation, amortisation and impairment losses	-8,586	-2,625
	Other income	13,977	6,235
	Loss before financial items	**-130,002**	**-55,700**
3	Other financial income	1,816	118
	Other financial expenses	-935	-159
	Loss before tax	**-129,121**	**-55,741**
4	Tax on loss for the year	254	-4,574
	Net loss for the year	**-128,867**	**-60,315**

	Distribution of net loss for the year		
	Reserve for development costs	-742	20,333
	Retained earnings	-128,125	-80,648
	Net loss for the year	**-128,867**	**-60,315**

Balance Sheet as of 31 December

Assets

Note	Amounts in DKK '000	2023	2022
	Non-current assets		
5	Completed development projects, including patents	59,864	53,686
5	Project under development	0	6,920
	Total intangible assets	**59,864**	**60,606**
	Equipment	2,815	1,964
	Leasehold improvements	1,257	1,698
	Right-of-use assets	1,106	1,240
	Total fixed assets	**5,178**	**4,902**
	Investments in subsidiaries	143,791	22,519
	Loans to affiliates	7,455	0
	Other receivables	144	142
	Total financial assets	**151,390**	**22,661**
	Total non-current assets	**216,432**	**88,169**
	Current assets		
	Tax receivables	48	0
	Receivables from affiliates	18,769	5,975
	Other receivables	275	2,523
	Prepayments	1,138	0
	Total receivables	**20,230**	**8,498**
	Cash and bank balances	**21,248**	**7,370**
	Total current assets	**41,478**	**15,868**
	Total assets	**257,910**	**104,037**

Equity and Liabilities

Note	Amounts in DKK '000	2023	2022
	Equity		
	Share capital	500	500
	Reserve for development costs	59,864	60,606
	Retained earnings	162,560	20,685
	Total equity	**222,924**	**81,791**
	Long-term liabilities		
	Provisions	505	400
	Lease liabilities	0	792
	Total long-term liabilities	**505**	**1,192**
	Short-term liability		
	Lease liabilities	1,294	740
	Trade payables	5,859	7,945
	Trade payables, affiliates	4,132	1
	Tax payables	2,596	4,153
	Other payables	20,600	8,215
	Total short-term liability	**34,481**	**21,054**
	Total liabilities	**34,986**	**22,246**
	Total equity and liabilities	**257,910**	**104,037**

6	Related parties
7	Contingent assets
8	Contingent liabilities
9	Guarantees
10	Significant accounting policies

Statement of changes in equity

Amounts in DKK '000	Share capital	Reserve for development costs	Retained earnings	Total
Equity as of 31 December 2021	500	40,273	26,333	67,106
Change of accounting policies	0	0	0	0
Equity as of 1 January 2022	**500**	**40,273**	**26,333**	**67,106**
Group contribution	0	0	75,000	75,000
Net loss for the year	0	20,333	-80,648	-60,315
Equity as of 31 December 2022	**500**	**60,606**	**20,685**	**81,791**
Group contribution	0	0	270,000	270,000
Net loss for the year	0	-742	-128,125	-128,867
Equity as of 31 December 2023	**500**	**59,864**	**162,560**	**222,924**

Note 1: Staff cost

Amounts in DKK '000	2023	2022
Wages and salaries	- 76,035	- 35,042
Other social security costs	- 205	- 1,320
Total staff costs	**- 76,240**	**- 36,362**
Average number of employees	**45**	**18**

Note 2: Depreciation and impairment losses

No impairments have been recognised in respect of development projects.

Note 3: Other financial income

Amounts in DKK '000	2023	2022
Interest income, affiliates	168	92
Other financial income	1,648	26
Total	**1,816**	**118**

Note 4: Tax on profit/loss for the year

Amounts in DKK '000	2023	2022
Tax on profit/loss for the year	48	0
Adjustment of tax concerning previous years	206	-9,366
Adjustment of deferred tax	0	4,792
Total	**254**	**-4,574**

Note 5: Finalised development projects and projects 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.

In January 2022, Innargi entered into a 30-year agreement with the district heating company Kredsløb (formerly AffaldVarme Aarhus) to develop and operate a geothermal heating plant in Aarhus, Denmark. Subject to a successful appraisal process, the geothermal plant will be completed in 2029 with an expected operation of at least 30 years. The project is be developed by the company's subsidiary Innargi Project I P/S. During 2023, the project progressed according to plan with drilling operations initiated towards the end of the year. The first appraisal well was completed in January 2024 and the second appraisal well was completed in March 2024.

Certain development projects relating to building the organisational competences and technical capabilities required to fulfil the company's ambition is capitalised as intangible assets.

During 2022, the company initiated a study regarding the design of geothermal facilities which were completed in 2023 at a total cost of DKK 12,697 thousand. The design is intended to be deployed in the Aarhus project but is also intended to be used for other projects.

Note 6: Related parties

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

The company is included in the consolidated financial statements of Innargi Holding A/S, Business Registration No 40 56 96 42, Lyngby Hovedgade 85, DK-2800 Kongens Lyngby.

Note 7: Contingent assets

The value of tax losses carry forward amount to DKK 47.4 million as of 31 December 2023. The tax asset is not recognised in the balance sheet, as it is unknown when the company will be able to utilise the tax asset.

Note 8: Contingent liabilities

The company was included in national joint taxation with Danish companies in the A.P. Møller Holding group until 3 February 2022, and afterwards with companies in the Innargi Holding group. The company is jointly and severally liable for the payment of taxes and withholding tax.

Note 9: Guarantees

The company has provided a letter of support to the company's subsidiary Innargi Project I P/S.

Note 10: Significant accounting policies

The Financial Statements for 2023 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 Financial Statements are presented in DKK. Unless otherwise stated, comparative figures for 2022 has been presented in brackets.

CHANGE IN ACCOUNTING POLICIES

The accounting policies applied to the financial statements are consistent with those applied last year except that the company has adopted IFRS 16 – leases with the impact set out below. The standard has been adopted retrospectively and comparative figures have been updated accordingly.

Note 9: Significant accounting policies (continued)

The change of accounting policies has resulted in a reduction of Other external expenses of DKK 951 thousand (406 thousand), an increase in Depreciation and impairment losses of DKK 782 thousand (619 thousand) and an increase in Other financial expenses of DKK 65 thousand (79 thousand). Right-of-use assets of DKK 1,106 thousand (1,240 thousand) has been capitalised as fixed assets and lease liabilities of DKK 1,274 thousand (1,532 thousand) has been recognised as liabilities.

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, advisory fee, etc.

Staff costs
Staff costs include wages and salaries, including compensated absence, as well as other social security contributions and board fees.

Other income
Other income comprise service fees and option premium.

Financial income and expenses
Other financial items 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: Significant 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 and other costs that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis. During the year, the useful life of completed development projects were reassessed and changed from 32 years to 10 years. Projects in progress are not amortised, but are annually tested for impairment.

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

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

Fixed assets
Fixed assets comprise equipment and leasehold improvements and are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price as well as costs directly associated with the asset until such time as the asset is ready for its intended use as well as the net present value of estimated costs of removal and restoration.

Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives are typically as follows:

Equipment including furniture	5 years
Leasehold	3 years

Estimated useful lives and residual value are reassessed on a regular basis.

Leases
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the expected future lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially equal to the capitalised lease liability adjusted for any upfront payments or expected future restoration costs. Right-of-use assets are presented as property, plant and equipment and depreciated over the lease term.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. The investments are written down to recoverable amount (i.e., the higher of fair value less costs of disposal and value in use) 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 and bank balances
Cash and bank balances 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.

Provisions
Provisions comprises net present value of estimated costs of removal and restoration of leasehold improvements.

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 2023.

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 2023 of the company and of the results of the company operations for 2023.

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 is adopted at the Annual General Meeting.

Kongens Lyngby, 24 April 2024

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 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 2023, 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' 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.

STATEMENT ON MANAGEMENT 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, in our view, Management's 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's 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 judgement 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 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, 24 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Henrik Kyhnauv
State Authorised Public Accountant
mne40028