INNARGI A/S
Annual Report 2022

INNARGI
Lyngby Hovedgade 85
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Innargi.com
CVR 39 18 30 56

Date 8 Maj 2023
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 Erenberg

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.

During 2022, Innargi successfully continued the development and expansion of its business with several landmark achievements.

Despite the global instability and uncertainty with implications for energy prices and energy security, the political and corporate efforts to fight climate change picked up speed. During 2022, Innargi recorded an increasing interest among district heating companies, both domestically and internationally, to deploy geothermal energy as a stable, reliable, and locally available source of energy.

In January 2022, Innargi entered into a 30-year agreement with the district heating company AffaldVarme Aarhus to develop and operate a geothermal heating plant in Aarhus, Denmark. When 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. Subject to a successful appraisal process, the geothermal plant will be completed in 2029 with an expected operation of at least 30 years. During 2022, the project progressed according to the plan with the first drilling plots secured, relevant approvals from Aarhus Municipality obtained, and certain critical long lead items ordered.

Further during 2022, Innargi entered into letters of intent with other district heating companies in Denmark to explore the potential for delivery of geothermal energy in the areas of Copenhagen (potential capacity of 120-240MW), Skanderborg-Hørning, and Holbæk (potential capacity of 15-30MW).

During 2022, Innargi also had dialogues with district heating companies in Poland and Germany, and subsequent to the end of 2022 certain dialogues progressed into letters of intent to further explore the potential for geothermal energy for district heating in Poznan, Poland, and in Kiel, Germany.

In February 2022, Innargi recorded the closing of the capital raise with ATP, the largest pension fund in Denmark, and NRGi, a Danish co-operative utility company. Fully implemented, ATP and NRGI will own 37% and 20%, respectively, of Innargi. The remaining shareholding is owned by A.P. Moller Holding, which originally founded Innargi, and minority shareholders.

During the year, Innargi continued to develop the organisational capabilities and competencies enabling the performance and continued development of the company. During 2022, the number of employees increased from 10 to 29.

RESULT FOR THE YEAR

Net loss for the year after tax amounted to DKK 60.0m (DKK 24.3m). 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 2022.

As of 31 December 2022, the equity amounted to DKK 82.1m (DKK 67.1m).

Income Statement for 1 January to 31 December

Note	Amounts in DKK '000	2022	2021
	Other external expenses	-23,354	-13,952
1	Staff costs	-36,362	-11,505
2	Depreciation and impairment losses	-2,006	-9,225
	Other income	6,235	0
	Loss before financial items	**-55,487**	**-34,682**
3	Other financial income	118	10
	Other financial expenses	-80	-58
	Loss before tax	**-55,449**	**-34,730**
4	Tax on loss for the year	-4,574	10,461
	Net loss for the year	**-60,023**	**-24,269**

	Distribution of net loss for the year		
	Reserve for development costs	20,333	-3,554
	Retained earnings	-80,356	-20,715
	Net loss for the year	**-60,023**	**-24,269**

Balance Sheet as of 31 December

Assets

Note	Amounts in DKK '000	2022	2021
	Non-current assets		
	Completed development projects, including patents	53,686	458
5	Project under development	6,920	54,824
	Total intangible assets	**60,606**	**55,282**
	Equipment	1,964	0
	Leasehold improvements	1,698	0
	Total fixed assets	**3,662**	**0**
	Investments in subsidiaries	22,519	440
	Other receivables	142	0
	Total financial assets	**22,661**	**440**
	Total non-current assets	**86,929**	**55,722**
	Current assets		
	Tax receivables	0	8,077
	Receivables from affiliates	5,975	3,957
	Other receivables	2,523	6,239
	Prepayments	0	56
	Total receivables	**8,498**	**18,329**
	Cash and bank balances	**7,370**	**4,168**
	Total current assets	**15,868**	**22,497**
	Total assets	**102,797**	**78,219**

Equity and Liabilities

Note	Amounts in DKK '000	2022	2021
	Equity		
	Share capital	500	500
	Reserve for development costs	60,606	40,273
	Retained earnings	20,977	26,333
	Total equity	**82,083**	**67,106**
	Long-term liability		
	Provision	400	0
	Total long-term liability	**400**	**0**
	Short-term liability		
	Trade payables	7,945	2,006
	Trade payables, affiliates	1	7
	Deferred tax	0	4,792
	Tax payables	4,153	0
	Other payables	8,215	4,308
	Total short-term liability	**20,314**	**11,113**
	Total liabilities	**20,714**	**11,113**
	Total equity and liabilities	**102,797**	**78,219**

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

Statement of changes in equity

Amounts in DKK '000	Share capi-tal	Reserve for development costs	Retained earnings	Total
Equity as of 1 January 2021	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**
Group contribution	0	0	75,000	75,000
Net loss for the year	0	20,333	-80,356	-60,023
Equity as of 31 December 2022	**500**	**60,606**	**20,977**	**82,083**

Note 1: Staff cost

Amounts in DKK '000	2022	2021
Wages and salaries	35,042	14,331
Other social security costs	1,320	258
Total remuneration	**36,362**	**14,589**
Of which:		
Recognised in the cost of assets	0	3,084
Expensed as staff costs	**36,362**	**11,505**
Average number of employees	**18**	**7**

Note 2: Depreciation and impairment losses

A total of DKK 0m (DKK 9.2m) has been recognised as impairment of development projects. In 2021 the impairment was recognised as the license for geothermal exploration in Central Jutland and North Zealand was not pursued further by the company.

Note 3: Other financial income

Amounts in DKK '000	2022	2021
Interest income, affiliates	92	7
Other financial income	26	3
Total	**118**	**10**

Note 4: Tax on loss for the year

Amounts in DKK '000	2022	2021
Tax on loss for the year	0	8,077
Adjustment of tax concerning previous years	-9,366	609
Adjustment of deferred tax, including changes to previous years	4,792	1,775
Total	**-4,574**	**10,461**

Note 5: Development projects

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 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. During 2022, the project progressed according to the plan with the first drilling plots secured, relevant approvals from Aarhus Municipality obtained, and certain critical long lead items ordered.

Up until signing of the agreement, costs related to the Aarhus project were recognised as Project under development in the balance sheet. Following the signing of the contract, costs were transferred to Completed development projects.

In February 2022, the company recorded the closing of the capital raise with ATP, the largest pension fund in Denmark, and NRGi, a Danish co-operative utility company. The remaining shareholding is owned by A.P. Moller Holding, which originally founded Innargi, and minority shareholders.

During 2022, the company initiated a study regarding the design of geothermal facilities. The study is progressing according to plan and is expected to be completed in 2023. The design will be deployed in the Aarhus project but it may also 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.

Note 7: Contingent assets

The value of tax assets amounts to DKK 14.8m as of 31 December 2022. 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 for tax purposes.

Note 8: Contingent liabilities

The company is 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: Commitments

The future operating lease payments are DKK 1m (DKK 0m) which are due within one year.

Note 10: Significant accounting policies

The Financial Statements for 2022 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 2021 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, 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 10: 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 over 32 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.

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.

Reserve for development costs
The reserve for development costs comprise recognised development costs less related deferred tax liabilities. The reserve can’t be used for distributing dividend or covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or impaired. This is done by a transfer to the retained earnings reserve.

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 2022.

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 2022 of the company and of the results of the company operations for 2022.

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, 13 April 2023

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 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.

We have audited the financial statements of Innargi A/S for the financial year 1 January - 31 December 2022, 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, 13 April 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Henrik Kyhnauv
State Authorised Public Accountant
mne42823