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# *Eltronic FuelTech A/S*

Kilde Alle 4, DK-8722 Hedensted

## Annual Report for 1 November 2022 - 31 October 2023

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CVR No. 39 96 74 13

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 16/1 2024

Thomas Synnestvedt  
Knudsen  
Chair of the general  
meeting



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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Eltronic FuelTech A/S for the financial year 1 November 2022 - 31 October 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 October 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Hedensted, 16 January 2024

## Executive Board

Mari-Louise Kahr Andreasen  
CEO

## Board of Directors

Thomas Synnestvedt Knudsen  
Chair

Lars Jensen

Carl Jensen

Britt Charlotte Brogaard Røjgaard

Jeppe Kiilerich Østerlund

Kasper Gothard Beck

# Independent Auditor's report

To the shareholders of Eltronic FuelTech A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 October 2023 and of the results of the Company's operations and cash flows for the financial year 1 November 2022 - 31 October 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Eltronic FuelTech A/S for the financial year 1 November 2022 - 31 October 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, 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.

# Independent Auditor's report

## 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.

Trekantområdet, 16 January 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Lars Almskou Ohmeyer

State Authorised Public Accountant

mne24817

Heidi Bonde

State Authorised Public Accountant

mne42815

## Company information

<b>The Company</b>	Eltronic FuelTech A/S Kilde Alle 4 DK-8722 Hedensted  CVR No: 39 96 74 13 Financial period: 1 November 2022 - 31 October 2023 Municipality of reg. office: Hedensted
<b>Board of Directors</b>	Thomas Synnestvedt Knudsen, chair Lars Jensen Carl Jensen Britt Charlotte Brogaard Røjgaard Jeppe Kiilerich Østerlund Kasper Gothard Beck
<b>Executive Board</b>	Mari-Louise Kahr Andreasen
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

# Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	240,851	238,667	124,920	68,322	60,907
Gross profit/loss	92,393	111,561	54,180	27,280	21,424
EBITDA	34,005	58,100	29,034	8,010	8,575
Profit/loss of ordinary primary operations	33,289	58,050	29,034	8,010	4,622
Depreciation, amortization and impairment	-715	-50	0	0	-3,953
Profit/loss before financial income and expenses	33,289	58,050	29,034	8,010	4,622
Profit/loss of financial income and expenses	-2,569	-1,607	-388	-61	131
Profit/loss before tax	30,720	56,442	28,646	7,949	4,753
Tax on profit/loss for the year	-7,136	-12,237	-5,649	-1,750	-1,063
Net profit/loss	23,584	44,205	22,997	6,199	3,690
<b>Balance sheet</b>					
Balance sheet total	122,514	124,572	71,515	43,381	30,766
Investment in property, plant and equipment	4,294	479	0	0	0
Equity	63,624	58,348	29,132	12,954	9,755
<b>Cash flows</b>					
Cash flows from:					
- operating activities	40,673	4,813	25,204	12,613	2,637
- investing activities	-10,378	-8,163	181	0	0
- financing activities	-34,697	7,093	-28,524	-8,839	-2,528
Change in cash and cash equivalents for the year	-4,402	3,743	-3,139	3,774	109
Number of employees	93	70	45	33	30
<b>Ratios</b>					
Gross margin	38.4%	46.7%	43.4%	39.9%	35.2%
Profit margin	13.8%	24.3%	23.2%	11.7%	7.6%
Return on assets	27.2%	46.6%	40.6%	18.5%	15.0%
Solvency ratio	51.9%	46.8%	40.7%	29.9%	31.7%
Return on equity	38.7%	101.1%	109.3%	54.6%	75.7%

# Management's review

## Key activities

Eltronic FuelTech is a knowledge company which develops, produces, and services complex high and low-pressure fuel systems for power supply and energy generation for marine engines. The primary products are meant for alternative, green fuels for the propulsion of dual fuel engines.

Eltronic FuelTech's customer portfolio includes leading global companies within the engine and shipbuilding industries as well as ship owners.

## Development in the year

The company's profit and loss account for 2022/23 shows a turnover of DKK 240,851,078. Profit before financial items is DKK 33,288,972.

Overall, management considers the profit for the year to be satisfactory.

The company's balance sheet on 31 October 2023 shows an equity of DKK 63,623,614. The company's solvency ratio on 31 October 2023 was 51.9%.

## The past year and follow-up on development expectations from last year

As expected, the year has reflected the pronounced global focus on the green transition to alternative fuels for the reduction of carbon emissions. Therefore, there has been an increasing demand within our existing product portfolio particularly for new ship constructions. These ships are increasingly opting for dual fuel engines, which can operate on green alternative fuels. Orders on products for ships using methanol have, in particular, increased.

As part of the strategy, there has been continued investment in development of solutions for the maritime industry within future green fossil-free fuels such as ammonia in the past year. Here too, commercial interest is on the rise.

Also, as part of the strategy, Eltronic FuelTech has, during 2023, obtained approval for and initiated production of one of our products through our subsidiary in Korea in order to strengthen the position within the green transition with regard to our primary customers and market at the large motor- and shipbuilders in Asia.

In Denmark, increase in capacity and organization is progressing as planned, and our new assembly and test facilities were put into use in early 2023.

The two primary reasons why, despite progress, there was a deviation in execution in relation to the budget for 2022/23 are: that globally not as many ships were ordered and built as expected, and at the same time a postponement of orders due to capacity leveling in combination with the economic situation and interest rates worldwide.

## Special risks - operating risks and financial risks

The company's activities cover development, manufacturing, and delivery of large and complex fuel supply systems and solutions to the maritime industry, which imply both technical and contractual risks.

However, in Management's assessment, the company currently has internal systems and procedures to ensure that the activities for the year may be carried out without any significant technical and contractual risks.

## Foreign exchange risks

Most of the turnover is in DKK and EUR. As a result, the company runs a low risk of exchange rate fluctuations. The exchange rate uncertainties are hedged, as far as possible, by reducing net positions, and alternatively by means of financial instruments in the event of considerable risks.



# Management's review

## Credit risks

The company's customer portfolio consists primarily of larger, reputable companies, which are considered to have a good credit rating. Customers are subject to ongoing credit assessment, and risks are reduced by focusing on advance payment for new customer types.

## Targets and expectations for the year ahead

The company anticipates that the continued increased global focus on green conversion, supported by both international rules and increased demand from consumers and investors for green shipping, will ensure further positive development in demand for the company's current products and services within alternative fuels. Despite the minor global slowdown with regard to the contracting of new ships for 2023/24 – due to, among other things, high inflation and uncertainties about the upcoming years' freight demand – a turnover increase of 20%-40% and EBT increase of 20%-40% has been budgeted.

The goal for Eltronic FuelTech is still to be the global leader, in development of fuel handling/management equipment enabling a transition from conventional carbon-dominant fuels to fuel types with the potential of reducing or even completely removing carbon emissions. This is in line with the ambitions of our customers, working to provide a path to de-carbonize shipping.

In the coming years, the company will thus endeavour to develop new, innovative technology and free fuel systems, enabling this green transition.

The company's activities include forward-looking development, manufacturing, delivery and subsequent service of complex high and low-pressure systems with existing and new technologies and products for the maritime industry.

In order to meet this development, capacity will be substantially increased in Denmark in the coming years, while activities and presence in Asia will also increase. We are moving closer to our customers to ensure delivery as well as service and continued development of the green fuel solutions of tomorrow for the international maritime industry.

## Research and development

Development activities include the development of product families that ensure new alternative and more environmentally friendly energy and fuel solutions for the maritime industry.

This must be supported by continued development and improvement of the ERP system and associated platforms for further automation and digitization of processes and workflows, with a primary focus on production and product management, to ensure high quality and safety in our deliveries. This is also the foundation for scaling the product portfolio and acting flexibly and quickly in response to our customers' needs, while simultaneously ensuring our geographical expansion and utilizing knowledge across products and fuels.

## External environment

The UN's SDG goals form the basis for the strategic direction of the company, with the clear objective of contributing with technological solutions that enable conversion to fossil free shipping for the maritime industry and thereby contribute to the achievement of the Paris Agreement's goal of significantly reducing CO<sub>2</sub> and greenhouse gas (GHG).

The company is also aware of the responsibility for both the external and internal environment and takes the necessary consideration when carrying out individual tasks in the company's services and deliveries to its customers. The company is environmentally certified according to ISO 14001, and it is estimated that the company's environmental impact under scope 1 and 2 is low.

In the coming year, we will moreover work on mapping of scope 3 environmental impacts and initiatives.

## Management's review

### Intellectual capital resources

The company is a knowledge company, and the company's most important resources are the skills and the knowledge possessed by the employees. Competence development and knowledge sharing are key words, and initiatives to attract and retain employees have a high priority.

### Subsequent events

After the balance sheet date, no factors have materially influenced the assessment of the annual report.

## Income statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Revenue		240,851,078	238,667,151
Expenses for raw materials and consumables		-122,290,342	-106,105,019
Other external expenses		-26,168,148	-21,000,813
<b>Gross profit</b>		<b>92,392,588</b>	<b>111,561,319</b>
Staff expenses	1	-58,387,960	-53,461,776
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-715,656	-49,936
<b>Profit/loss before financial income and expenses</b>		<b>33,288,972</b>	<b>58,049,607</b>
Income from investments in subsidiaries		-2,284,816	-1,078,876
Financial income	2	15,930	84,500
Financial expenses		-300,156	-612,719
<b>Profit/loss before tax</b>		<b>30,719,930</b>	<b>56,442,512</b>
Tax on profit/loss for the year	3	-7,135,837	-12,237,090
<b>Net profit/loss for the year</b>	4	<b>23,584,093</b>	<b>44,205,422</b>

## Balance sheet 31 October 2023

### Assets

	Note	2022/23 DKK	2021/22 DKK
Completed development projects		338,567	507,851
Development projects in progress		12,698,696	6,613,903
<b>Intangible assets</b>	5	<b>13,037,263</b>	<b>7,121,754</b>
Plant and machinery		2,436,787	429,132
Leasehold improvements		1,739,619	0
<b>Property, plant and equipment</b>	6	<b>4,176,406</b>	<b>429,132</b>
Investments in subsidiaries	7	0	0
<b>Fixed asset investments</b>		<b>0</b>	<b>0</b>
<b>Fixed assets</b>		<b>17,213,669</b>	<b>7,550,886</b>
<b>Inventories</b>	8	<b>44,214,272</b>	<b>41,241,452</b>
Trade receivables		33,148,609	57,701,595
Contract work in progress	9	1,435,006	9,495
Receivables from group enterprises		23,216,921	8,646,784
Other receivables		2,832,743	4,644,891
Prepayments		368,312	289,629
<b>Receivables</b>		<b>61,001,591</b>	<b>71,292,394</b>
<b>Cash at bank and in hand</b>		<b>84,773</b>	<b>4,487,282</b>
<b>Current assets</b>		<b>105,300,636</b>	<b>117,021,128</b>
<b>Assets</b>		<b>122,514,305</b>	<b>124,572,014</b>

## Balance sheet 31 October 2023

### Liabilities and equity

	Note	2022/23 DKK	2021/22 DKK
Share capital		568,334	550,000
Reserve for development costs		10,169,065	5,554,968
Reserve for exchange rate conversion		65,923	10,051
Retained earnings		52,820,292	32,232,645
Proposed dividend for the year		0	20,000,000
<b>Equity</b>		<b>63,623,614</b>	<b>58,347,664</b>
Provision for deferred tax	10	2,024,135	539,968
Other provisions	11	5,000,000	4,581,754
<b>Provisions</b>		<b>7,024,135</b>	<b>5,121,722</b>
Lease obligations		579,964	0
Other payables		1,580,741	1,518,167
<b>Long-term debt</b>	12	<b>2,160,705</b>	<b>1,518,167</b>
Credit institutions		182,153	507,096
Lease obligations	12	127,290	0
Trade payables		18,160,355	21,435,486
Contract work in progress	9	49,982	0
Payables to group enterprises		370,666	349,049
Payables to group enterprises relating to corporation tax		5,651,670	11,009,295
Other payables	12	12,937,388	11,257,074
Deferred income	13	12,226,347	15,026,461
<b>Short-term debt</b>		<b>49,705,851</b>	<b>59,584,461</b>
<b>Debt</b>		<b>51,866,556</b>	<b>61,102,628</b>
<b>Liabilities and equity</b>		<b>122,514,305</b>	<b>124,572,014</b>
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Subsequent events	18		
Accounting Policies	19		

## Statement of changes in equity

	Share capital	Share premium account	Reserve for development costs	Reserve for exchange rate conversion	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 November	550,000	0	5,554,968	10,051	32,232,645	20,000,000	58,347,664
Exchange adjustments	0	0	0	55,872	0	0	55,872
Cash capital increase	18,334	1,617,651	0	0	0	0	1,635,985
Ordinary dividend paid	0	0	0	0	0	-20,000,000	-20,000,000
Development costs for the year	0	0	4,746,139	0	-4,746,139	0	0
Depreciation, amortisation and impairment for the year	0	0	-132,042	0	132,042	0	0
Net profit/loss for the year	0	0	0	0	23,584,093	0	23,584,093
Transfer from share premium account	0	-1,617,651	0	0	1,617,651	0	0
<b>Equity at 31 October</b>	<b>568,334</b>	<b>0</b>	<b>10,169,065</b>	<b>65,923</b>	<b>52,820,292</b>	<b>0</b>	<b>63,623,614</b>

## Cash flow statement 1 November 2022 - 31 October 2023

	Note	2022/23 DKK	2021/22 DKK
Result of the year		23,584,093	44,205,422
Adjustments	14	10,420,535	13,894,121
Change in working capital	15	17,961,417	-46,695,867
<b>Cash flow from operations before financial items</b>		<b>51,966,045</b>	<b>11,403,676</b>
Financial income		15,930	84,500
Financial expenses		-300,156	-612,719
<b>Cash flows from ordinary activities</b>		<b>51,681,819</b>	<b>10,875,457</b>
Corporation tax paid		-11,009,295	-6,061,959
<b>Cash flows from operating activities</b>		<b>40,672,524</b>	<b>4,813,498</b>
Purchase of intangible assets		-6,084,793	-7,121,754
Purchase of property, plant and equipment		-4,293,646	-479,068
Fixed asset investments made etc		0	-562,320
<b>Cash flows from investing activities</b>		<b>-10,378,439</b>	<b>-8,163,142</b>
Repayment of loans from credit institutions		-324,943	455,762
Reduction of lease obligations		-61,131	0
Repayment of payables to group enterprises		0	21,637,499
Lease obligations incurred		768,385	0
Raising of payables to group enterprises		-16,777,464	0
Raising of other long-term debt		62,574	0
Cash capital increase		1,635,985	0
Dividend paid		-20,000,000	-15,000,000
<b>Cash flows from financing activities</b>		<b>-34,696,594</b>	<b>7,093,261</b>
<b>Change in cash and cash equivalents</b>		<b>-4,402,509</b>	<b>3,743,617</b>
Cash and cash equivalents at 1 November		4,487,282	743,665
<b>Cash and cash equivalents at 31 October</b>		<b>84,773</b>	<b>4,487,282</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		84,773	4,487,282
<b>Cash and cash equivalents at 31 October</b>		<b>84,773</b>	<b>4,487,282</b>

# Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>1. Staff Expenses</b>		
Wages and salaries	52,097,786	48,640,491
Pensions	5,691,045	4,419,272
Other social security expenses	599,129	402,013
	<u>58,387,960</u>	<u>53,461,776</u>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<u>2,442,670</u>	<u>1,915,164</u>
Average number of employees	<u>93</u>	<u>70</u>

The incentive scheme offered to the company's employees has been redeemed this year. The company's employees now own 3.23% of the company. Outstanding number of warrants at 31 October 2023 is 0.

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>2. Financial income</b>		
Interest received from group enterprises	0	84,500
Other financial income	15,930	0
	<u>15,930</u>	<u>84,500</u>

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>3. Income tax expense</b>		
Current tax for the year	5,651,670	11,009,295
Deferred tax for the year	1,484,167	1,227,795
	<u>7,135,837</u>	<u>12,237,090</u>



## Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK
<b>4. Profit allocation</b>		
Proposed dividend for the year	0	20,000,000
Retained earnings	23,584,093	24,205,422
	<u>23,584,093</u>	<u>44,205,422</u>

## 5. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	DKK	DKK
Cost at 1 November	507,851	6,613,903
Additions for the year	0	6,084,793
Cost at 31 October	<u>507,851</u>	<u>12,698,696</u>
Impairment losses and amortisation at 1 November	0	0
Amortisation for the year	169,284	0
Impairment losses and amortisation at 31 October	<u>169,284</u>	<u>0</u>
<b>Carrying amount at 31 October</b>	<u>338,567</u>	<u>12,698,696</u>
Amortised over	<u>3-5 years</u>	

There are capitalized costs on three development projects.

The Aengine project; development of a complete fuel supply system for the future ammonia-powered marine engines. This project is expected to be completed end 2024, and the solution can be marketed and sold the same year. There is great interest in the market for this future solution of carbon-free fuels. The project is progressed according to plan, and the relevant resources in the development department have been budgeted for next year to carry out the planned activities.

The second project concerns a Fuel Supply System for Methanol-powered engines and is a supplement to our Gas Valve Train to deliver the full system from tank to engine. The project is ongoing, and the product is marketed in parallel, as the interest and use of Methanol as fuel has very high focus in the maritime market.

The third project concerns a product for use with low pressure LNG-powered engines in a new variant on the existing market. The project is finalized and has had a relatively short development period, and was thus fully developed in 2022, when both marketing and sales have begun. There has thus been no capitalized cost in 2022/23.

# Notes to the Financial Statements

## 6. Property, plant and equipment

	Plant and machinery	Leasehold improvements
	DKK	DKK
Cost at 1 November	479,068	0
Additions for the year	2,494,039	1,799,607
Cost at 31 October	<u>2,973,107</u>	<u>1,799,607</u>
Impairment losses and depreciation at 1 November	49,936	0
Depreciation for the year	486,384	59,988
Impairment losses and depreciation at 31 October	<u>536,320</u>	<u>59,988</u>
<b>Carrying amount at 31 October</b>	<b><u>2,436,787</u></b>	<b><u>1,739,619</u></b>
Amortised over	<u>3-5 years</u>	<u>10 years</u>
Including assets under finance leases amounting to	<u>699,211</u>	<u>0</u>
	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK

## 7. Investments in subsidiaries

Cost at 1 November	562,320	0
Additions for the year	0	562,320
Cost at 31 October	<u>562,320</u>	<u>562,320</u>
Value adjustments at 1 November	-1,068,825	0
Exchange adjustment	55,872	10,051
Net profit/loss for the year	-2,284,816	-1,078,876
Value adjustments at 31 October	<u>-3,297,769</u>	<u>-1,068,825</u>
Equity investments with negative net asset value amortised over receivables	<u>2,735,449</u>	<u>506,505</u>
<b>Carrying amount at 31 October</b>	<b><u>0</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Eltronic Fueltech Korea Yuhanhosa	South Korea	100%

## Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>8. Inventories</b>		
Inventories - Raw materials and consumables	28,860,561	26,931,160
Inventories - Work in progress	13,273,113	13,838,354
Inventories - Finished goods and goods for resale	2,080,598	471,938
	<u>44,214,272</u>	<u>41,241,452</u>

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>9. Contract work in progress</b>		
Selling price of work in progress	2,903,882	9,495
Payments received on account	-1,518,858	0
	<u>1,385,024</u>	<u>9,495</u>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	1,435,006	9,495
Prepayments received recognised in debt	-49,982	0
	<u>1,385,024</u>	<u>9,495</u>

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>10. Provision for deferred tax</b>		
Deferred tax liabilities at 1 November	539,968	-687,827
Amounts recognised in the income statement for the year	1,484,167	1,227,795
<b>Deferred tax liabilities at 31 October</b>	<u>2,024,135</u>	<u>539,968</u>

## 11. Other provisions

Other provisions of DKK 5,000k have been recognised for expected warranty claims.

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
Other provisions	5,000,000	4,581,754
	<u>5,000,000</u>	<u>4,581,754</u>

## Notes to the Financial Statements

The provisions are expected to mature as follows:

Provisions falling due after 5 years	0	0
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### 12. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022/23	2021/22
	DKK	DKK
<b>Lease obligations</b>		
After 5 years	0	0
Between 1 and 5 years	579,964	0
Long-term part	579,964	0
Within 1 year	127,290	0
	<b>707,254</b>	<b>0</b>
<b>Other payables</b>		
After 5 years	1,580,741	1,518,167
Long-term part	1,580,741	1,518,167
Within 1 year	0	0
Other short-term payables	12,937,388	11,257,074
	<b>14,518,129</b>	<b>12,775,241</b>

### 13. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

## Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>14. Cash flow statement - Adjustments</b>		
Financial income	-15,930	-84,500
Financial expenses	300,156	612,719
Depreciation, amortisation and impairment losses, including losses and gains on sales	715,656	49,936
Income from investments in subsidiaries	2,284,816	1,078,876
Tax on profit/loss for the year	7,135,837	12,237,090
	<u>10,420,535</u>	<u>13,894,121</u>

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK
<b>15. Cash flow statement - Change in working capital</b>		
Change in inventories	-2,972,820	-20,609,468
Change in receivables	24,860,940	-45,812,107
Change in other provisions	418,246	1,581,802
Change in trade payables, etc	-4,344,949	18,143,906
	<u>17,961,417</u>	<u>-46,695,867</u>

	<u>2022/23</u>	<u>2021/22</u>
	DKK	DKK

## 16. Contingent assets, liabilities and other financial obligations

### Charges and security

As security for the cashpool scheme within the group, an indemnity letter of DKK 50,000k has been created on trade receivables, inventories, intangible rights and other fixtures and fittings, tools and equipment at a total carrying amount of DKK 94,577k.

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	88,227	126,316
Between 1 and 5 years	200,076	32,330
	<u>288,303</u>	<u>158,646</u>

# Notes to the Financial Statements

## Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Eltronic Group A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 17. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
<b>Controlling interest</b>	
Eltronic Group A/S	Principal shareholder

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

<u>Name</u>	<u>Place of registered office</u>
Eltronic Group A/S	DK-8722 Hedensted

## 18. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

# Notes to the Financial Statements

## 19. Accounting policies

The Annual Report of Eltronic FuelTech A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022/23 of Eltronic Group A/S, the Company has not prepared consolidated financial statements.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an outflow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

## Income statement

### Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Other external expenses also include research and development costs that do not qualify for capitalisation.

### Staff expenses

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

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.



# Notes to the Financial Statements

## Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance sheet

### Intangible fixed assets

#### *Development projects*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is maximum 5 year.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	3-5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

## Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

## Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

## Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

## Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

## Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

# Notes to the Financial Statements

## Prepayments

Prepayments comprise prepaid expenses concerning subscriptions and goods.

## Equity

### Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

## Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

# Notes to the Financial Statements

## Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

## Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

## Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

## Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$