



Tel.: +45 63 12 71 00
odense@bdo.dk
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab
Fælledvej 1
DK-5000 Odense C
CVR no. 20 22 26 70

STIESDAL FUEL TECHNOLOGIES A/S

VEJLEVEJ 270, 7323 GIVE

ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2021

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 22 April 2022.**

Mette Godsk Trandbohus

CVR NO. 40 63 05 54

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COMPANY DETAILS

Company	Stiesdal Fuel Technologies A/S Vejlevej 270 7323 Give CVR No.: 40 63 05 54 Established: 1 July 2019 Municipality: Odense Financial Year: 1 January - 31 December
Board of Directors	Kim Schønnemann Bøttkjær, chairman Carsten Risvig Pedersen Henrik Stiesdal Niels Olaf Ahrengot Peder Riis Nickelsen Tove Feld Heidi Hjelm Kamstrup
Executive Board	Peder Riis Nickelsen
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C
Bank	Nordea Bank Danmark A/S Vestre Stationsvej 7 5000 Odense C

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Stiesdal Fuel Technologies A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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

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

Give, 7 April 2022

Executive Board

Peder Riis Nickelsen

Board of Directors

Kim Schønnemann Bøttkjær
Chairman

Carsten Risvig Pedersen

Henrik Stiesdal

Niels Olaf Ahrengot

Peder Riis Nickelsen

Tove Feld

Heidi Hjelm Kamstrup

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stiesdal Fuel Technologies A/S

Opinion

We have audited the Financial Statements of Stiesdal Fuel Technologies A/S for the financial year 1 January - 31 December 2021, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management Commentary

Management is responsible for Management Commentary.

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

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

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

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

Odense, 7 April 2022

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jesper Bechsgaard Jørgensen
State Authorised Public Accountant
MNE no. mne31412

MANAGEMENT COMMENTARY

Principal activities

The principal activities comprise development of the SkyClean pyrolysis technology to enable a cost-efficient method for the capture and storage of CO₂ from biomass residuals combined with the production of green gas and fuels.

Recognition and measurement uncertainty

In these present Financial Statements, a tax asset of DKK 1.9 m is recognised. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 5-8 years.

Development in activities and financial and economic position

The Company had development costs of DKK 22.7 m in the financial year, and an additional DKK 40 m is expected to be needed in order to complete the first commercial scale project.

The financing thereof is expected from the Company's parent company, which has issued a loan guarantee for the financial year 2022. The parent company has acquired a new significant investor in PensionDanmark, which together with existing shareholders has invested DKK 400 m in the parent company.

The Company inaugurated a fully automatic 200kW SkyClean test plant in 2021. The test plant has validated the technology design of SkyClean as well as SkyClean's potential to substantially reduce carbon emissions from the Danish agricultural sector by converting residual biomass to carbon stable biochar and green gas/fuel.

The Company is finalizing a 2 MW scaled up SkyClean demonstration plant, located at GreenLab, Skive, with inauguration in March 2022. The 2 MW plant will serve as a testing facility for validation and verification campaigns in preparation for the next phase of 20 MW commercial scale SkyClean plants.

In 2021, the Danish parliament passed an agreement that acknowledges pyrolysis as one of the technologies capable of contributing to a technology neutral national carbon capture and storage strategy.

Management expects profitable operations in 2024, which is supported by budgets, market surveys and the general good potential of the technology. The Management considers the result of the year to be satisfactory.

Comment on the assumptions for going concern

In the financial year 2021 a loss of DKK 2.6 m is realised, which mean that the Company's cash resources are reduced materially.

In relation to securing the necessary liquidity for the financial year 2021 the Company has received commitment of additional credit facility in 2022 of DKK 40 m from the parent company Stiesdal A/S as well as extension of the existing loan at the end of March 2022 with the parent company Stiesdal A/S of DKK 14.3 m for the financial year 2022.

Management has prepared budgets for the financial year 2022, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2022.

Based on the additional credit facilities and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured.

Significant events after the end of the financial year

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2021 DKK	2020 DKK '000
GROSS LOSS		-3,938,154	181
Staff costs.....	1	-900,837	-411
Depreciation, amortisation and impairment losses.....		-1,556	0
OPERATING LOSS		-4,840,547	-230
Other financial income.....	2	46,334	7
Other financial expenses.....	3	-417,653	-42
LOSS BEFORE TAX		-5,211,866	-265
Tax on profit/loss for the year.....	4	2,643,271	226
LOSS FOR THE YEAR		-2,568,595	-39
PROPOSED DISTRIBUTION OF PROFIT			
Retained earnings.....		-2,568,595	-39
TOTAL		-2,568,595	-39

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2021 DKK	2020 DKK '000
Development projects in progress and prepayments.....		25,244,038	2,567
Intangible assets.....	5	25,244,038	2,567
Production plant and machinery.....		54,444	0
Tangible fixed assets in progress and prepayment.....		7,376,858	0
Property, plant and equipment.....	6	7,431,302	0
NON-CURRENT ASSETS.....		32,675,340	2,567
Receivables from group enterprises.....		1,666,853	0
Receivables from owners and management.....		641	0
Deferred tax assets.....		1,920,554	58
Other receivables.....		4,893,985	587
Corporation tax receivable.....		745,324	168
Receivables.....	7	9,227,357	813
Cash and cash equivalents.....		15,814,809	997
CURRENT ASSETS.....		25,042,166	1,810
ASSETS.....		57,717,506	4,377
EQUITY AND LIABILITIES			
Share capital.....		1,000,000	500
Reserve for development costs.....		24,020,335	2,002
Retained earnings.....		12,872,480	-2,041
EQUITY.....		37,892,815	461
Other provisions for liabilities.....		250,000	0
PROVISIONS.....		250,000	0
Trade payables.....		4,713,568	829
Debt to group enterprises.....		14,336,182	2,936
Other liabilities.....		524,941	151
Current liabilities.....		19,574,691	3,916
LIABILITIES.....		19,574,691	3,916
EQUITY AND LIABILITIES.....		57,717,506	4,377
Contingencies etc.	8		
Charges and securities	9		
Comment on the assumptions for going concern	10		
Information on uncertainty with respect to recognition and measurement	11		

EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2021.....	500,000	2,002,542	-2,041,132	461,410
Proposed profit allocation.....			-2,568,595	-2,568,595
Transactions with owners				
Capital increase.....	500,000		39,500,000	40,000,000
Other legal bindings				
Capitalized development costs.....		22,676,675	-22,676,675	0
Tax on changes in equity.....		-658,882	658,882	0
Equity at 31 December 2021.....	1,000,000	24,020,335	12,872,480	37,892,815

NOTES

	2021 DKK	2020 DKK '000	Note
Staff costs			1
Average number of employees	5	1	
Wages and salaries.....	3,624,495	369	
Pensions.....	584,572	40	
Social security costs.....	25,767	1	
Other staff costs.....	77,224	1	
Capitalised labour costs.....	-3,411,221	0	
	900,837	411	
Other financial income			2
Group enterprises.....	46,334	7	
	46,334	7	
Other financial expenses			3
Group enterprises.....	280,645	35	
Other interest expenses.....	137,008	7	
	417,653	42	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year.....	-745,324	-168	
Adjustment of deferred tax.....	-1,897,947	-58	
	-2,643,271	-226	

NOTES

Intangible assets		Note
	Development projects in progress and prepayments	5
Cost at 1 January 2021.....	2,567,363	
Additions.....	22,676,675	
Cost at 31 December 2021.....	25,244,038	
Carrying amount at 31 December 2021.....	25,244,038	

The development costs in the year have been used for development of a SkyClean 2MW pilot plant and a concept for a commercial 20MW plant.

Management has significant expectations for the development of SkyClean, which is supported by budgets, market surveys and the general demand in the world market for alternative green technologies.

Danish Agriculture have shown huge interest in SkyClean, and pyrolysis is an integral part of the Government’s climate plan. In 2021, the Danish parliament passed an agreement that acknowledges pyrolysis as one of the technologies capable of contributing to a technology neutral national carbon capture and storage strategy.

The Company is working on the technical design of a commercial 20MW plant. It is Management’s expectation that an additional amount of DKK 40 m will be required to complete the development project, and it is also Management’s expectation that the development project can be commercialized from the financial year 2022 and contribute with a positive cash flow from 2023.

The Company had development costs of DKK 22.7 m in the financial year, and an additional DKK 40m is expected to be needed to complete the first commercial scale project.

The Company has received a loan guarantee from the parent company for the financial year 2022 in relation to the financing required for the completion. The parent company has acquired a new significant investor in PensionDanmark, which together with existing shareholders has invested DKK 400 m in the parent company.

Based on the expectations for the future earnings, it is Management’s assessment that the development costs meet the requirements for recognition and measurement in the Financial Statements, and that the valuation of the development costs is proper.

Property, plant and equipment		6
	Production plant and machinery	Tangible fixed assets in progress and prepayment
Additions.....	56,000	7,376,858
Cost at 31 December 2021.....	56,000	7,376,858
Depreciation for the year.....	1,556	
Depreciation and impairment losses at 31 December 2021...	1,556	
Carrying amount at 31 December 2021.....	54,444	7,376,858

NOTES

	2021 DKK	2020 DKK '000	Note
Tangible fixed assets (continued)			6
Receivables falling due after more than one year			7
Deferred tax assets.....	1,920,554	58	
	1,920,554	58	
Contingencies etc.			8
Contingent liabilities			
The Company rents a nitrogen tank that is non-cancellable until February 2025. The remaining rent amounts to DKK 234 k.			
Joint liabilities			
The Company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.			
Tax payable on the Group's joint taxable income is stated in the annual report of STIESDAL A/S, which serves as Management company for the joint taxation.			
Charges and securities			9
The Company has no charges and securities as of 31 December 2021.			
Comment on the assumptions for going concern			10
In the financial year 2021 a loss of DKK 2.6 m is realised, which mean that the Company's cash resources are reduced materially.			
In relation to securing the necessary liquidity for the financial year 2021 the Company has received commitment of additional credit facility in 2022 of DKK 40 m from the parent company Stiesdal A/S as well as extension of the existing loan at the end of March 2022 with the parent company Stiesdal A/S of DKK 14.3 m for the financial year 2022.			
Management has prepared budgets for the financial year 2022, which support that the Company has the liquidity necessary to service their liabilities concurrently with their due date in the financial year 2022.			
Based on the additional credit facilities and extension of the existing debt with the parent company, Stiesdal A/S, it is Management's opinion that the Company's assumptions for going concern are ensured.			
Information on uncertainty with respect to recognition and measurement			11
In these present Financial Statements, a tax asset of DKK 1.9 m is recognised. The value of this depends on the future earnings capacity. Based on the Group's expectations for the future earnings, the Group's expectations for the future growth in the market for carbon free energy and continued investment in development assets it is Management's opinion that the tax loss will be used in full in the Group in 5-8 years.			

ACCOUNTING POLICIES

The Annual Report of Stiesdal Fuel Technologies A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

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

Comparative figures

Comparative figures comprise of a period of 18 months as the annual report 2019/20 was the first annual report presented.

INCOME STATEMENT

Net revenue

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

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

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the Company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

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

Tax

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

BALANCE SHEET

Intangible fixed assets

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

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 5 years.

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

ACCOUNTING POLICIES

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

Tangible fixed assets

Production plant and machinery are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

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

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

	Useful life	Residual value
Production plant and machinery.....	3 years	0 %

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

Impairment of fixed assets

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

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

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

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Other provisions for liabilities

Other provisions for liabilities include the expected cost for restructuring.

ACCOUNTING POLICIES

Tax payable and deferred tax

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

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

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

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

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

Liabilities

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

Amortised cost for short-term liabilities usually corresponds to the nominal value.