

INNARGI PROJECT I P/S

Annual Report

2023



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Company information

Innargi Project I P/S
Lyngby Hovedgade 85
2800 Kongens Lyngby

Homepage: www.innargi.com

Business Registration No.: 42 82 01 48

Founded: 9 November 2021

BOARD OF DIRECTORS

Samir Abboud (Chairperson)
Michael Harboe-Jørgensen
Lars Heineke
Lars Petersen

EXECUTIVE BOARD

Lars Heineke

AUDITOR

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management review

The objective of the company is to conduct trade, provide service and operate within the geothermal energy industry, to own shares in other companies, and other business related hereto.

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

PROFIT/LOSS FOR THE YEAR

Net loss for the year after tax amounted to DKK 16,550 thousand (DKK 1,517 thousand).

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

As of 31 December 2023, the equity amounted to DKK 122,788 thousand (DKK 20,866 thousand).



Income statement for 1 January to 31 December

Note	Amounts in TDKK	2023	2022
	Other income	103	84
1	Other external expenses	- 16,583	- 1,401
	Depreciation	- 123	- 118
	Loss before financial items	- 16,603	- 1,435
	Other financial income	2,001	12
2	Other financial expenses	- 1,948	- 94
	Net loss for the year	- 16,550	- 1,517
	Distribution of net loss for the year		
	Retained earnings	- 16,550	- 1,517
	Net loss for the year	- 16,550	- 1,517

Balance sheet as of 31 December

Assets

Note	Amounts in TDKK	2023	2022
	Property, plant and equipment		
3	Land and buildings	3,734	3,857
3	Geothermal heating plants under construction	85,277	8,142
3	Other equipment	49,492	0,0
	Total property, plant and equipment	138,503	11,999
	Current assets		
	Trade receivables	0	2
	Receivables from affiliates	0	118
	Other receivables	11,543	1,634
	Total receivables	11,543	1,754
	Cash and bank balances	45,902	13,708
	Total current assets	57,445	15,462
	Total assets	195,948	27,461

Equity and Liabilities

Note	Amounts in TDKK	2023	2022
	Equity		
	Share capital	400	400
	Retained earnings	122,388	20,466
	Total equity	122,788	20,866
	Long-term liabilities		
4	Provisions	4,110	0
	Total long-term liabilities	4,110	0
	Short-term liabilities		
	Payables to affiliates	17,644	5,975
	Trade payables	51,406	467
	Other payables	0	153
	Total short-term liabilities	69,050	6,595
	Total liabilities	69,050	6,595
	Total equity and liabilities	195,948	27,461

5 Related parties

6 Significant accounting policies



Statement of changes in equity

Amounts in DKK	Share capital	Retained earnings	Total
Equity as of 1 January 2022	400	-65	335
Capital contribution		22,048	22,048
Net loss for the year	0	-1,517	-1,517
Equity as of 31 December 2022	400	20,466	20,866
Capital contribution	0	118,472	118,472
Net loss for the year	0	-16,550	-16,550
Equity as of 31 December 2023	400	122,388	122,788

Note 1: Other external expenses

Apart from the Executive Board, Innargi Project I P/S has not had any employees in 2023.

Note 2: Other financial expenses

Amounts in TDKK	2023	2022
Interest expenses, affiliates	0	- 91
Other financial expenses	- 1,948	- 3
Total	- 1,948	- 94

Note 3: Property, plant and equipment

In January 2022, the company entered into a 30-year agreement with the district heating company Kredsløb (formerly AffaldVarme Aarhus) to develop and operate a geothermal heating plant in Aarhus, Denmark. Subject to a successful appraisal process, the geothermal plant is expected to be completed in 2030 with an expected operation of at least 30 years. If fully developed, the plant will comprise 17 wells and 7 facilities with heat pumps and heat exchangers that will facilitate the capturing of heat from the geothermal water and the transfer of it to the district heating network. The first heat is expected to be delivered in 2025 and all seven sub-plants are expected to be completed in 2030.

The company is responsible for operating and maintaining the geothermal plant and the company carries material risk in this respect. The company will receive a monthly payment for making capacity available and producing of geothermal heat. The payment is subject to adjustments based on the actual delivered geothermal heat. The payments will be adjusted based on a predetermined sliding scale.

During 2023, the project progressed according to plan with drilling operations initiated towards the end of the year. The first well was completed in January 2024 and the second well was completed in March 2024. During the appraisal phase, the temperature, flow rate and chemical composition of the geothermal water are tested as these elements may have an impact on the detailed configuration of the future wells and the geothermal facilities.

Test results for the first well indicate a water temperature in the reservoir in line with expectations but a water production (flow rate) below expectations. For the second well, both reservoir temperature and water production (flow rate) live up to expectations. A third well will be drilled at the same location as the second well, and when completed, a plant with heat exchangers and heat pumps will be constructed to supply heat to the district heating network.

If the appraisal process is not successful and the full project not realised as expected, the geothermal heating plant under construction and other equipment capitalised as property, plant and equipment with a carrying amount as at 31 December 2023 of DKK 134,769 thousand may not be recoverable in part or in full.

Note 4: Provisions

A provision has been recognised for decommissioning costs associated with the geothermal heating plants being constructed by the company. The company is obligated to decommissioning the sites on which the plants are constructed. The contract duration is 30 years from the time of the completion of the geothermal heating plants which is expected to be completed from 2025 to 2030.

During 2023, the project progressed according to plan with drilling operations initiated towards the end of the year. The first appraisal well was completed in January 2024 and the second appraisal well was completed in March 2024. Test results are currently being evaluated. If the appraisal process is not successful and the full project not realised as intended, the timing of the expected decommissioning may change substantively, and costs currently expected upon contract expiry may become payable within a few years.

Note 5: Related parties

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

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

Note 6: Significant accounting policies

The Financial Statements for 2023 for Innargi Project I P/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 requirements from reporting class C.

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

The financial statements are presented in DKK. Due to the growth in activity levels, the financial statements for 2023 are presented in DKK thousands. Comparative figures have been adjusted accordingly.

INCOME STATEMENT

Other income

Other income comprises rent income.

Other external expenses

Other external expenses comprise expenses for administration, office supplies, advisor fees, fee to the general partner, etc.

Other financial income and expenses

Other financial items comprise interest, bank fees, currency adjustments etc.

Tax

The company is not liable to tax.

Note 6: Significant accounting policies (continued)

BALANCE SHEET

Property, plant and equipment

Properties are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of buildings are 20 years. Land is not depreciated.

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

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.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Plant and equipment under construction includes directly attributable expenses related to materials and components that concerns the construction of the assets as well as the net present value of estimated costs of removal and restoration. Other equipment comprise materials and components intended for the project but not yet deployed in the construction of the plant.

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 comprise cash in bank deposits.

Provisions

Provisions related to decommissioning of geothermal heating plants are initially measured at the net present value of the estimated cost of removal and restoration of site on which the geothermal heating plant is constructed. The provision is recognised over time based on the construction of the geothermal heating plant, as the decommissioning is dependent on the construction.

Liabilities

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



Management's statement

Kongens Lyngby, 24 April 2024

Executive Board

Lars Heineke

Board of Directors

Samir Abboud
Chairperson

Michael Harboe-Jørgensen

Lars Heineke

Lars Petersen

The Executive Board and Board of Directors has today considered and adopted the Annual Report of Innargi Project I P/S for the financial year 1 January – 31 December 2023.

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

In our opinion, the financial statements give a true and fair view of the financial position at 31 December 2023 of the company and of the results of the company's operations for 2023.

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

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

Independent Auditor's Report

To the shareholder of Innargi Project I P/S

OPINION

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

We have audited the Financial Statements of Innargi Project I P/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical

requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON MANAGEMENT REVIEW

Management is responsible for Management's Review. Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been

prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue

as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 24 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
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