



Financial Statement 2021

for

CrayoNano AS

Organization number 998 682 525

English Translation

Annual statement 2021

About the company

The company was founded on June 27, 2012, and develop and commercialize applications of hybrid nano material systems. CrayoNano specializes in UVC LED packaged chips for disinfection of water, surface and air based on a breakthrough, patented technology and know-how combining Graphene and nanostructures.

The company is headquartered in Trondheim, Norway developing a fab-lite model with a global supply-chain aiming to provide our OEM customers semiconductor devices that replace traditional UVC lamps as well as enabling new industrial and consumer product solutions. Outside the headquarter CrayoNano has currently employees located in Germany, Switzerland and Taiwan.

2021 has been an eventful and exiting year for CrayoNano:

- The corona pandemic has affected the company in several areas. The UVC LED products CrayoNano will produce are used in products for disinfection, and with the pandemic, the whole world's interest was directed towards this market and strong growth is expected in the future.
- For CrayoNano, as for most companies, the pandemic has led to several continued practical challenges, such as organization working from their homes, securing the supply chain and access to goods, the introduction of risk-reducing measures and more. In addition, travel restrictions to Norway led to delays in hiring employees.
- The company signed a term-sheet with the EU Investment Bank (EIB) of EUR 5 million in August 2021. The term-sheet is valid for 18 months and was not used in 2021.
- The global shortage of semiconductors and materials has also affected CrayoNano's progress in product development, and in the winter of 2021 the company announced a growth strategy to take greater control at the supplier level and gain access to expertise by establishing an office in Taiwan.
- Cost control has been important in 2021 and investments in CAPEX has been limited. Increased costs are mainly explained by new hires and increased prices on materials.

Financial results and position

CrayoNano is not yet in the market with its products, hence the NOK 8.3 million in reported revenue for 2021 mainly relate to project funding. This is up from NOK 2.1 million in 2020 and represent project funding fluctuations.

CrayoNano capitalize development expenses to the extent they are expected to represent an asset with future profitable value. Capitalized development expenses in 2021 net of funding adds up to NOK 27.5 million, up from NOK 8.4 million in 2020.

Total operating expenses ended on NOK 49.2 million which is up from NOK 27.3 million the year before. The increase is related to planned increase in number of employees and increased activity.

A strong liquidity position in combination with a very low debt ratio limits the company's financial risk. CrayoNano enters 2022 with approximately NOK 100 million in bank deposits and bonds. This represents a solid base for the continued operation and implementation of the business plan to bring UVC LED products to market.

In the Board's opinion, the annual accounts give a true and fair view of the company's financial position at the end of the year and of the financial results achieved during the year.

Employees

One of CrayoNano's greatest values is our employees and we place emphasis on developing and maintaining a healthy and positive work environment. No work-related absence was registered in

2021. The company had sickness absence in 2021 of 1.4%. The corresponding figure for 2020 was 1.5%.

CrayoNano works internationally and sees it as a great strength that we have employees from many countries with different backgrounds. The board and the company's management are conscious of preventing discrimination on the grounds of gender, orientation, ethnicity, national origin, descent, skin colour, language and religion.

At the end of the year, the company had 34 employees, an increase from 18 at the beginning of the year. Of the 34, 12 are women and 22 are men, with a total of 13 nationalities. The focus in the past year has been on strengthening our technical team and securing international expertise in operations and operations. We plan to further strengthen the business in the future and have in this respect had a good start to the year with the recruitment of resources within technology, operations and marketing & sales, with an increased proportion of women.

Insurance has been taken out for the board members and the general manager for their possible liability to the company and third parties.

Environment

As part of our laboratory activities, potentially hazardous materials are handled, and gases are released into the atmosphere. This activity is subject to national and international regulations for emissions and other environmental requirements. We have established processes for safety and risk assessments, control of risk for our employees, waste management and training of employees. The company will, with the support of third parties, develop this further in 2021.

Traditional mercury based UVC lamps contain environmental toxins, are large and have a short lifespan, which has negative environmental consequences. This is a driver for establishing regulations to replace UVC lamps. CrayoNano develops UVC LEDs that solve many of the negative environmental effects of traditional UVC lamps. UVC LED also has the potential to replace other non-UVC based disinfection methods such as ozone, chlorine and other chemicals. CrayoNano thus expects to represent a positive environmental imprint with its UVC LEDs.

Outlook

CrayoNano has a positive look on development of the UVC LED market. Independent analyses have increased the estimates for the total market in 2025 to USD 2.5 billion. Annual growth is estimated at over 50% over the next 4-5 years. This is a growth driven by both environmental aspects and expectations of demand as a result of the Covid-19 pandemic.

The company is financially and competently positioned to establish a fab-lite model with external production partners for rapid scaling of production capacity and delivery of CrayoNano's UVC LEDs. CrayoNano has succeeded in attracting international industry experts and is experiencing an increased interest in the company from industry, future customers and investors.

The board views the development very positively but will at the same time point out that there is naturally uncertainty and risk associated with the progress in realizing a new product in the market.

Trondheim, 22.04.2022

Rune Rinnan
Chairman of the Board

Jan-Eyvin Wang
Board member

William B. Cortelyou
Board member

Torkjell Johan Nilsen
Board member

John Raaum
Board member

Jo Uthus
CEO

Financial Statement 2021 for

Crayonano AS



CrayoNano

Foretaksnr. 998682525

Prepared by



SpareBank 1 Regnskapshuset | Kjøpmannsgata 50 | 7010 Trondheim

Income statement

	Note	2021	2020
OPERATING REVENUE AND EXPENCES			
Operating revenue			
Revenue		303 263	75 519
Other operating income	1	8 022 388	1 979 125
Total operating revenue		8 325 650	2 054 644
Operating expenses			
Cost of goods		288 877	0
Employee benefits expense	2	27 260 219	12 121 843
Depreciation and amortisation expenses	3	6 007 294	4 953 263
Other operating expenses	2	15 655 001	10 205 438
Total operating expenses		49 211 391	27 280 544
OPERATING PROFIT OR LOSS		-40 885 741	-25 225 900
FINANCIAL INCOME AND EXPENSES			
Financial income			
Value increase of financial instruments		559 170	0
Other interests		470 992	105 956
Other financial income		141 246	112 952
Total financial income		1 171 407	218 908
Financial expenses			
Value decrease of financial instruments		46 724	0
Other interests	4	1 047 583	902 338
Other financial expense		292 273	160 201
Total financial expenses		1 386 581	1 062 539
NET FINANCIAL INCOME AND EXPENCES		-215 173	-843 631
ORDINARY RESULT BEFORE TAXES		-41 100 914	-26 069 531
Tax on ordinary result	5,6,7	-9 736 866	-6 230 343
ORDINARY RESULT		-31 364 048	-19 839 188
TO MAJORITY INTERESTS		-31 364 048	-19 839 188
APPLICATION AND ALLOCATION			
To/from other equity	8	-31 364 048	-19 839 190
TOTAL APPLICATION AND ALLOC.		-31 364 048	-19 839 190

Balance sheet pr. 31.12.2021

	Note	31.12.2021	31.12.2020
ASSETS			
FIXED ASSETS			
Intangible assets			
Research and development	1,3	25 188 142	20 694 341
Concessions, patents, licences, trade marks	3	33 392 696	13 617 007
Deferred tax asset	5,6,7	25 909 032	16 172 166
Total intangible assets		84 489 869	50 483 514
Tangible assets			
Machinery and plant	3	12 805 505	14 596 129
Fixtures and fittings, tools, office machinery etc.	3	1 236 846	1 457 363
Total tangible assets		14 042 350	16 053 492
Financial fixed assets			
Other long-term receivables	2	2 060 685	2 060 685
Total financial fixed assets		2 060 685	2 060 685
TOTAL FIXED ASSETS		100 592 905	68 597 691
CURRENT ASSETS			
Receivables			
Trade receivables		6 752	10 663
Other short-term receivables	9	7 199 239	6 676 879
Sum fordringer		7 205 991	6 687 542
Investments			
Market-based bonds	10	50 512 446	0
Total Investments		50 512 446	0
Bank deposits, cash in hand, etc.	11	49 579 585	131 582 895
TOTAL CURRENT ASSETS		107 298 021	138 270 437
TOTAL ASSETS		207 890 926	206 868 128

Balance sheet pr. 31.12.2021

	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Paid-in equity			
Share capital	8,12	568 030	535 799
Own shares	8	234 361 535	209 156 136
Other paid-in equity	8	2 596 250	2 596 250
Total paid-in equity		237 525 815	212 288 185
Retained earnings			
Uncovered loss	8	-69 224 174	-37 860 127
Total retained earnings		-69 224 174	-37 860 127
TOTAL EQUITY		168 301 641	174 428 058
LIABILITIES			
NON-CURRENT LIABILITIES			
Other non-currents liabilities			
Convertible loans	4	0	11 649 264
Liabilities to financial institutions	13	10 593 329	6 400 000
Total other non-currents liabilities		10 593 329	18 049 264
TOTAL NON-CURRENT LIABILITIES		10 593 329	18 049 264
CURRENT LIABILITIES			
Liabilities to financial institutions	13	0	4 000 000
Accounts payable		3 518 008	2 926 500
Public duties payable		1 581 052	1 090 677
Other currents liabilities	14	23 896 896	6 373 627
TOTAL CURRENT LIABILITIES		28 995 956	14 390 804
TOTAL LIABILITIES		39 589 286	32 440 068
TOTAL EQUITY AND LIABILITIES		207 890 926	206 868 126

Trondheim,

Board of CrayoNano AS

Chairman
Leif Rune RinnanBoard member
Torkjell Johan NilsenBoard member
Jan Eyvin WangBoard member
William B. CortelyouBoard member
John RaalumCEO
Jo Uthus

Notes 2021

Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act (Regnskapsloven) and NRS 8 – Good Accounting Practice for Small Enterprises (God regnskapsskikk for små foretak).

Revenue recognition

Revenue from the sale of goods and services is accounted for at the time of transaction.

Assessment and classification of assets and liabilities

Assets intended for long-term ownership or use are classified as fixed assets. Fixed assets are valued at acquisition cost. Fixed assets are capitalized and depreciated over the economic lifetime of the asset. In case of impairment, not expected to be temporary, the fixed asset is written down to its recoverable amount. Recoverable amount is the highest of fair value less costs of disposal and value in use. Value in use is the present value of future cash flows associated with the asset. The write-down is reversed when the basis for the write-down no longer exists.

Current assets and current liabilities generally include items due for payment within one year after the balance sheet date, as well as items related to the product cycle. Current assets are valued at the lowest of acquisition cost and estimated fair value.

R&D

R&D expenses are capitalized to the extent that they represent probable future economic benefit associated with the development of an identifiable intangible asset and the expenses can be measured reliably. R&D is netted so that both costs and associated income are included in the balance sheet. This applies to all the company's EU projects and tax incentive scheme SkatteFUNN.

Short-term receivables

Short-term receivables are valued at nominal value. To the extent deemed necessary, provision has been set aside as allowance to cover possible losses.

Taxes

The tax expense in the income statement includes both the taxes payable for the period and changes in deferred taxes. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse during the same period are settled and netted.

Notes 2021

Note 1 - Patents, licenses etc.

The company has capitalized costs for its own patents and immaterial rights related to product development on semiconductor/graphene hybrid devices for energy applications.

Costs for R&D are partially capitalized in the balance sheet to the extent they are considered to represent a lasting value and are depreciated over 15 years. Grants associated with R&D costs are netted against capitalized costs. The company has earned a public grant of Kr 20.794.775,- during the year. Kr 10.397.388,- of these are capitalized in the balance sheet.

Of the earned public grants, 4.750.000,- is related to Skattefunn. This has been entered as a cost reduction, respectively kr 1.734.441,- towards a reduction of wage costs and NOK kr 3.015.559,- towards a reduction of other costs.

Note 2 – Payroll Costs and No of Employees

The company had 24 FTE during 2021.

	I år	I fjor
Salary	30 301 347	14 477 307
National Insurance Contributions	3 667 631	2 013 763
Pension Costs	379 871	195 143
Other Payroll Related Benefits	2 483 073	2 133 957
R&D/SkatteFunn	-9 571 702	-6 698 326
Total	27 260 219	12 121 843

Loans and securities given to leaders or shareholders

The company has previously sold their stock position in the company to two former CEOs. They paid 10% in advance and the last 90% is accounted as a receivable in the balance.

- Michael Peil has a loan of kr 1.001.880,- that is due 27.06.2022.

- Jo Uthus has a loan of kr 1.058.805,- that is due 07.05.2023.

Notes 2021

Note 3 – Depreciation on Fixed Assets

	Research and development	Concessions, patents, licences, trade marks	Machinery and plant	Fixtures and fittings, tools, office machinery etc	Total
Acquisition cost as of. 1/1	25 745 904	16 227 255	22 667 316	2 147 714	66 788 188
+ Acquisition	6 210 194	21 257 506	797 943	0	28 265 642
- Disposal	0	0	0	0	0
Acquisition cost as of 31/12	31 956 098	37 484 761	23 465 258	2 147 714	95 053 831
Acc. Dep./write-down as of 1/1	5 051 563	2 610 248	8 071 441	690 097	16 423 348
+ Ordinary depreciation	1 716 393	1 481 817	2 588 312	220 772	6 007 294
+ Dep. on write up	0	0	0	0	0
- Reversed depreciations	0	0	0	0	0
+ Extraordinary write-down	0	0	0	0	0
Acc. Dep./write-down as of 31/12	6 767 956	4 092 065	10 659 753	910 869	22 430 643
Capitalized value as of 31/12	25 188 142	33 392 696	12 805 505	1 236 846	72 623 188
Percentage rate for ordinary depreciations	7-7	7-7	10-50	10-33	

Note 4 – Convertible loans

The company has redeemed convertible loans of kr 12.319.229,- pr 31.12. Kr 669 965 of this amount is accrued interest. The interest rate of the loans were 10%.

Note 5 - Tax

Reconciliation of Tax Expense Against Profit Before Tax

	Basis	Tax
Tax in Income Statement		-9 736 866
Profit before tax	-41 100 914	-9 042 201
Differance		-694 665
<u>Consisting of</u>		
Permanent differences	-5 240 531	-1 152 917
Not capitalized US / USF last year	-4 072 809	-896 018
Not capitalized US / USF this year	6 155 773	1 354 270
Sum		-694 665

Notes 2021

Note 6 – Tax

Tax Base and change in deferred tax and tax asset

Profit before tax	-41 100 914
+/- Changes in diff. not incl. in deferred tax/tax benefit	2 082 964
+/- Permanent differences	-5 240 531
= Tax base	-44 258 480
+/- Changes i diff. Incl. in basis for deferred tax/tax asset	2 415 631
+/- Change in deficit, credit deduction etc to be carried forward	41 884 960
= Basis for tax payable	42 111
= Taxable income (basis for tax payable in the balance sheet)	42 111

Distribution of tax expense

Tax payable (basis for tax payable in profit x rate)	0
+/- Change in deferred tax/tax benefit	-9 736 865
= Tax cost (basis for this year's tax cost x rate)	-9 736 865
= Tax cost in the income statement	-9 736 866

Tax payable in the balance sheet

Tax payable in the tax cost	0
= Tax payable in the balance sheet	0

Note 7 – Deferred tax Asset

Deferred tax / deferred tax asset

	2021	2020
+ Fixed asset including goodwill	7 917 537	8 555 436
- Unearned income	6 155 773	4 072 809
+ Differences not included in calculation of SF/USF*	6 155 773	6 155 773
- Other provisions for liabilities	5 052 250	3 274 518
- Tax carry-forward of losses that are offset	120 633 615	78 790 766
= Basis Deferred Tax Asset	117 768 328	73 509 848
Deferred Tax Asset	25 909 032	16 172 167

* Consists in its entirety of the capitalized share of Skattefunn retained in the balance sheet as of the balance sheet date.

Notes 2021

Note 8 - Reconciliation of Equity

	Share capital	Share Premium fund	Other paid-in Equity	Uncovered Loss	Total Equity
Pr 1.1.	535 799	209 156 136	2 596 250	-37 860 127	174 428 060
-Til årets resultat			0	-31 364 048	-31 364 048
+Kapitalforhøyelse	32 231	25 205 399	0	0	25 237 630
=Pr 31.12.	568 030	234 361 535	2 596 250	-69 224 174	168 301 641

Note 9 – Current receivables

The company has booked a receivable for Skattefunn of kr 4 750 000,-

The company has booked receivables for other taxable public grants of kr 1 136 000,-.

None of the receivables are due more than 1 year after the balance sheet date.

Note 10 – Market-based bonds

Bonds	Historical cost	Market value	Value Increase
FIRST Yield	50 000 000	50 512 446	512 446
Total accounted value		50 512 446	

Note 11 – Bank deposits, cash, etc.

Restricted bank deposits consist of tax deposits of kr 2 040 019 as of 31.12.21 and kr 1 687 663 as of 31.12.20.

Notes 2021

Note 12 - Share Capital

The company has a share capital of NOK 568 029,82 divided into 28.401.491 shares, each with a par value of NOK 0,02. The Company does not own any of their own shares.

There are 969 shareholders in total.

The following table lists 10 largest shareholders:

Antall aksjer	Eierandel	Navn
5 230 683	18,42 %	NORSK INNOVASJONSKAPITAL III AS
1 742 514	6,14 %	SKIPS AS TUDOR
1 140 683	4,02 %	SPAREBANK 1 SMN INVEST AS
1 125 000	3,96 %	COFOUNDER AS
1 125 000	3,96 %	WEMAN, HELGE
805 829	2,84 %	CACEIS BANK
783 548	2,76 %	VERDIPAPIRFONDET DNB MILJØINVEST
738 108	2,60 %	MOLVER AS
675 000	2,38 %	PRO AS
639 934	2,25 %	PETROCK II AS
14 395 192	50,68 %	ØVRIGE
28 401 491	100,00 %	

Note 13 - Debt to Credit Institutions

The company has a debt to a credit institution of kr 3 499 996,- with a 5-year term. The down payment has started. The loan will be repaid by April 2026.

The company has a risk loan from Innovasjon Norge with a total granted amount of kr 7 093 333,- with a 5-year term. The down payment has started. The loan will be repaid by June 2026. The loan is issued with security in the company's operating assets.

Note 14 - Other short-term Liabilities

	I år	I fjor
Liabilities due more than 5 years from balance sheet date		
Totalt	0	0

There is made a provision of kr 13.080.000,- in the accounts as of 31.12.21. Due to a commitment with a preponderance of probabilities will be fulfilled.

Notes 2021

Note 15 - Events after the balance sheet date

The corona epidemic occurred early 2020 and affected the year 2021 in several ways. The corona epidemic occurred early 2020 and affected the year in several ways. Like most other companies, CrayoNano has been through periods of work from home offices for employees who can work from home. For employees who have not been able to work from home, the company has established routines to reduce the risk of infection and potential closure. We have experienced that this has worked well for the company and the employees. At the same time, we have experienced a more demanding international supply chain and a more demanding situation in relation to upgrading and maintenance of specialized instruments and equipment. This has to some extent affected progress and placed restrictions on what we have been able to do and thus led to delays in relation to planned progress.

On the positive side, it can be noted that as a result of the corona epidemic, interest in disinfection has increased and the market potential for CrayoNano's solutions thus seems greater than previously thought.

When it comes to corona, 2022 has so far been a continuation of the situation in 2020 and 2021. The company is well organized to handle the current situation further throughout the year.

To the General Meeting of Crayonano AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Crayonano AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with ISAs, we exercise professional judgment 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. We 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, 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors 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.

Trondheim, 27 April 2022
Deloitte AS

Morten Alsos
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

