

Annual Report 2023
PL ESG Denmark Co ApS

Egeskovvej 265 DK-

7000 Fredericia CVR

no: 41946563

The Annual Report was presented and
adopted at the Annual General Meeting of
PL ESG Denmark Co ApS on

7 June 2024

Ruchir Ashok Kadakia
Chairman

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Management's Statement

The Executive Board has today considered and adopted the Annual Report of PL ESG Denmark Co ApS for the financial year 1 January – 31 December 2023.

The Annual Report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In my opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 1 January - 31 December 2023.

In my opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Fredericia, 7 June 2024

Executive Board

Ruchir Ashok Kadakia

Independent Auditor's Report

To the Shareholder of PL ESG Denmark Co ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2023 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of PL ESG Denmark Co ApS for the financial year 1 January - 31 December 2023, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, for both the Group and the Parent Company (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 Group 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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in 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 Group's and the Parent 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 Group or the Parent 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 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 7 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Kristian Pedersen
State Authorised Public Accountant
mne35412

Company information

The Company	PLESG Denmark Co ApS Egeskovvej 265 DK-7000 Fredericia CVR no: 41946563 Financial period: 1 January - 31 December Third financial year
Executive board	Ruchir Ashok Kadakia
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights for the group

USD Millions	2023	2022	2020/21
Revenue	2,802.9	3,402.8	1,123.7
Operating profit/loss	98.8	182.1	19.8
Net financial items	(44.9)	(52.0)	(33.7)
Profit before tax	53.9	130.1	66.1
Net profit/loss for the year	32.1	145.5	67.0
Proposed dividend for the year	0.0	0.0	0.0
Current assets	436.9	405.8	413.3
Total assets	592.0	556.5	531.3
Equity	263.7	221.6	82.4
Current liabilities	328.3	334.8	448.8
Wages and salaries	38.4	36.7	16.0
Investments in property, plant and equipment	50.1	27.2	14.9
Distribution and administration cost	28.1	28.3	9.9
Employees			
Average number of employees	271	254	243
Ratios			
Percent			
	2023	2022	2020/21
Return on assets	17	33	4
Liquidity ratio	133	121	92

Please refer to accounting policies for terms and conditions.

The key figures have been prepared in accordance with IFRS.

Management's Review

PL ESG Denmark Co ApS ("Company") was established in December 2020 as the legal acquirer of Crossbridge Energy A/S ("Crossbridge") and serves as the Parent company of Crossbridge (collectively, the "Group"). The Group's primary business activities are conducted by Crossbridge and its employees, with only nominal transaction costs recorded in the Company. The Company is a wholly owned subsidiary of ESG Energy Partners, LLC, whose head office is based in the United States. The core business activity for the Group is downstream refining and connected sale of refined products with operations located in Fredericia, Denmark, and supply activities located in Copenhagen, Denmark.

Market Development

The International Oil Market in 2023

After the COVID-driven turmoil in the global oil markets from 2020-2022, signs of stabilization started to occur in 2023. However, European markets continued to be impacted by the Russia-Ukraine conflict that started in 2022. In the beginning of 2023, the European Union (EU) implemented a ban on Russian oil and petroleum products. This ban was a response to heightened geopolitical tensions and concerns over Russia's continued aggressive actions in Eastern Europe. As a major supplier of crude oil and petroleum products to the EU, the ban on Russian exports disrupted supply chains and forced European refiners to swiftly adjust their sourcing strategies.

For certain European refiners, the ban on Russian oil meant a sudden loss of a crucial source of crude feedstock, necessitating rapid adaptations to ensure continuity of operations. Refineries heavily reliant on Russian crude were compelled to seek alternative suppliers, leading to a reshuffling of global crude oil trade patterns. European refiners diversified their crude sourcing, turning to other regions such as the Middle East, Africa, and the Americas. However, this diversification came with its own set of challenges, including logistical constraints and quality variations in alternative crude grades.

Furthermore, the ban on Russian petroleum products had downstream repercussions for the European refining industry. Russian distillate barrels have found new markets in Brazil, Turkey, Africa, and Asia; displaced European supply has been backfilled primarily by "East of Suez" refiners in the Middle East and India. The more elongated supply chain, with increased logistics costs and complexity, has helped support Northwest European diesel and jet refining margins though they have not reached the high levels observed in 2022. Gasoline cracks likewise experienced unexpected strength in 2023 thanks to unplanned refinery outages in both Europe and the United States coupled with solid underlying demand.

As 2023 progressed, the global markets and supply chains adjusted to the 'new normal', with refining margins remaining elevated compared to historical levels. OPEC+ announced multiple production cuts during 2023 to rebalance the market. Record volumes from the United States and Brazil, along with growing volumes from Guyana, have added to global supply while the China reopening was more muted than originally thought.

Dated Brent prices experienced volatility during 2023, starting the year at c.\$80/Bbl then trading in the low 70's before peaking at c.\$97/Bbl in Q4 and finishing nearly flat on a YoY basis. The forward curve remains in backwardation, indicating a continued near-term supply scarcity and strong demand.

During 2023, the US dollar exchange rate ranged from DKK 6.71 to DKK 7.13, with an average of DKK 6.91 for the year.

The Refinery

The Fredericia Refinery ("the Refinery") processed 3.0 million tonnes of crude for 2023 (crude intake in 2022 was 2.9 million tonnes). Import of crudes other than Danish Underground Consortium increased to 39% of our total crude slate versus 38% in 2022.

While the Refinery continued to experience strong gross refining margin, the financial results in 2023 were impacted by several operational items. Most notably, in December 2022 the Refinery sustained a fire in the Thermal Gasoil Unit ("TGU") and this unit, which upgrades diesel-based products, was out of service until

Management's Review (continued)

completion of the reconstruction in March 2023. The reconstruction of TGU unit progressed according to plan and the final insurance claim was settled in September and the last payment on the claim was received in November 2023. The insurance claim proceeds are reflected in the profit and loss statement as other income. In addition, unplanned maintenance required various production units to be slowed or stopped throughout the year. By the fourth quarter, the Refinery was running at maximum intake and set monthly records for number of 'perfect days' of operations.

Taxation, etc.

The tax in the income statement is based on the result of the year. This includes adjustment of deferred tax. Additionally, corporate tax is a windfall tax of 33% also due in 2023. See note 8 and 9 for further tax information.

Employees

The Group had 281 employees (44 women and 237 men) as of 31 December 2023 compared to 259 employees (39 women and 220 men) as of 31 December 2022.

The Group provides employees with a wide range of personal and professional development opportunities in a dynamic and inclusive work environment. The performance bonus scheme not only rewards financial results, but also considers HSSE (Health, Safety, Security and Environmental) performance and production results.

Employee communication and involvement

Two-way dialogue between management and staff is important and embedded in the Group's work practices. We utilize an engagement survey as one of the principal tools used to measure employee engagement. Based on feedback received in previous surveys, we have been implementing a number of improvement initiatives. In 2024 group-wide engagement will be measured again to help assess our progress. In addition, the survey process provides insights into employees' views and has had a consistently high response rate. Assessments of leadership and employee satisfaction are also completed regularly, and a leadership program has been implemented for leaders of all levels.

Gender Distribution in Leadership Roles

The Company consists of one director acting as senior management and there is no other management.

Gender distribution						
Senior management	2023		2022		2021/20	
	Number	%	Number	%	Number	%
Women	0	0%	0	0%	0	0%
Men	1	100%	1	100%	1	100%
Total	1	100%	1	100%	1	100%
Other management	2023		2022		2021/20	
	Number	%	Number	%	Number	%
Women	0	0%	0	0%	0	0%
Men	0	0%	0	0%	0	0%
Total	0	0%	0	0%	0	0%
Total	1		1		1	

Board of Directors

Since there are no board of directors the sole director is therefore considered senior management in connection with the overview of senior and other management. The Company has 2 or fewer members of senior

Management's Review (continued)

management (1 director) as of December 31, 2023, and is therefore exempt from setting targets for the top management.

Other Management

For the year ended December 31, 2023, the Company had an average number of full-time employees fewer than 50 (0 employees) and is therefore exempt from implementing a policy and target figures for other management.

Corporate Social Responsibility

In 2023 the Group has initiated work on CSRD and ESG reporting, to assess and identify risks and opportunities. This work will continue in 2024, with the goal of preparing limited reporting in 2024, to be ready for the required reporting in 2025.

The Group currently prepares additional reporting to comply with legislation regarding occupational health and safety, working conditions, human rights, anti-corruption legislation, and environmental requirements.

We are committed to operating safely, reliably and in compliance with legal and ethical standards, and acting as a fair and equitable partner for all our stakeholders - our employees, customers, suppliers, and the communities in which we operate.

These actions are guided by "Crossbridge Energy's business principles", where the 5th principle reads as follows:

“Crossbridge Energy works systematically with health, safety, and the environment with the aim of constantly improving results. Therefore, Crossbridge Energy manages these areas in the same way as any other important business activity, and therefore sets standards and goals for improvements as well as measures, assesses and publishes. We are constantly seeking to reduce the environmental impact of our activities, products and services.”

The Group's business model is described in the Management review, p.9.

Social and staff matters

Green transition

We deliver approximately 35% of the Danish consumption of fuel, and while fossil fuel is still needed, we must be able to supply it. This does not prevent us from becoming part of the energy transition, as we can work with green hydrogen, different waste streams transformed into Hydrothermal Liquefaction (HTL) Biocrude oil that can be processed and transformed into fuels and CCS (carbon capture and storage).

The ambition for green transition is based on a three-pronged path consisting of energy efficiencies, energy reduction, and ultimately decarbonisation. This approach aims to address the pressing challenges of climate change and promote sustainable development.

Energy efficiencies and energy reduction involve improving the efficiency of energy use and reducing energy waste. By optimizing energy use, we can minimize energy consumption and reduce greenhouse gas emissions. On energy reduction we are focusing on actively reducing energy consumption.

Decarbonisation is the ultimate goal of the green transition. It involves transitioning from fossil fuels to renewable energy sources that do not emit greenhouse gases. Here we are looking into various projects like co-processing etc.

By pursuing these three prongs of energy efficiencies, energy reduction, and decarbonisation, the ambition of a greener and more sustainable future will be met.

The human at Crossbridge

We value our employees, and we strive to stand-out among the best workplaces in Denmark. At Fredericia, one

Management's Review (continued)

of our most important tasks is also to secure jobs in the future.

The ability to continue to attract and retain qualified employees is a key area of focus, and we must be aware of, and appropriately react to, the changing views towards fossil fuel-based companies. In addition, there is always an inherent risk for people at a Refinery with high temperatures and pressures. This risk has been mitigated by our safety rules, training and planning which identify and prevent incidents.

Health, Safety, Security and Environment (HSSE)

We are committed to Goal Zero Aspiration; no harm and no leaks. In cooperation with the employees each manager is responsible for complying with the agreed safety standards.

The refinery

Risk assessment:

- HAZOP (hazard and operability studies) program running as per plan
- All work executed in production areas is covered by an individual e-Permit to Work that includes a specific risk assessment and further a Last-Minute-Risk-Assessment must be carried out before start of work.

Actions taken in 2023 to mitigate risk:

- Increased focus on Learning from incidents with structured weekly management meetings on incidents
- Weekly safety stand stills discussing safety in relation to incident and near misses to ensure learning
- Focus on risk from dropped objects and hand injury with special focus on line-of-fire
- External HSSE audit by Crossbridge Energy Partners
- External Process safety audit by American Petroleum Institute

Lost Time Incidents (LTI):

The total number of LTI in 2023 is six, which is increased compared to four LTI's in 2022. All six incidents were related to hired external contractors. In the future we will continue to aspire for Goal Zero.

The Q4 TRCF ("Total Recordable Case Frequency") (12 month rolling average) has increased to 7.5 (TRIR: 1.5) ("Total Recordable Incident Rate"), which is a negative trend. When comparing the incident rates between employees of the Company and external contractors, the gap is substantial. For employees, the TRCF was 0, while the external contractor TRCF was 12.6. To achieve Goal Zero, there will be continued focus on the safety performance of our contractors. To lead this initiative, the Company hired a new HSSE Director, who started the 1 September 2023, with a focus of bringing safety to the next level.

Process safety incident:

It was an excellent year for process safety with no API ("American Petroleum Institute") Tier 1 or 2 incidents, and one LOPC's ("Loss of Primary Containment") over 100 kg's. The rolling process safety incident rate is down to zero for the first time in many years.

Environment and climate conditions

The energy industry is becoming more aware of its impact on the climate. In the coming years, we intend to balance the dual goals of (i) addressing the current fossil fuels needs of Denmark and (ii) investing in plans to operate the Refinery in a more sustainable manner.

Following actions have been performed during 2023:

Management's Review (continued)

In accordance with our intention to reduce the environmental impact of the Refinery, we are focused on energy- and CO₂-savings. This journey has started with co-processing used cooking oil (UCO) into lower carbon intensity oil products, optimization of production, and participation in research and development projects in conjunction with Danish universities to search for new economically viable and environmentally sustainable energy sources. We have a strategic cooperation with Everfuel to build a green hydrogen plant next to the Refinery. Though this project is delayed, the implementation is expected to start in 2024.

Submission for a renewal of our environmental permit, in accordance with the EU mandated "Best available technique REFERENCE document" (BREF), has been finalized, but the final permit has been appealed by several parties. The permit has been returned from the appeal authority and is expected to be reworked by the EPA (Environmental Protection Agency) in 2024.

In 2023, the number of environmental non-compliances has decreased compared to 2022 due to better root cause knowledge and processes. Most of these are related to reliability issues with the temporary steam-boilers and emissions related to air during shut-down and start-up of the Refinery.

In the same period there have been eight verified complaints mainly related to Refinery operation (noise and smell) and only one regarding noise in the harbor which is comparable to 2022.

Human rights and corruption

Human rights

We respect other people's rights to live in dignity. We expect our people to meet others with respect and fairness, and we do not tolerate any form of discrimination or harassment. We comply with applicable laws and regulations, including the United Nations Universal Declaration of Human Rights and the core conventions of the International Labour Organisation, and we expect our suppliers to do so as well. Therefore, all suppliers are required to sign a statement that they comply with applicable laws and regulations, and they do not accept slavery or child labour, neither internally, nor with their suppliers.

The Group operates in Denmark, and is therefore subject to rules and regulations regarding labour laws, health and safety, etc. Our main suppliers operate offshore oil rigs which are subject to strict health and safety regulations. Therefore, the risk for violation of human rights is considered low.

The Group will continue to require vendors to sign standard clauses regarding compliance with Human Rights, Anti-Bribery and Corruption.

No violation of Human rights has been observed in 2023.

Anti-Bribery and Corruption

We do not pay, nor do we accept bribes under any circumstances. This includes facilitation payments, which are basically just smaller bribes. If you make a payment in situations where you have a reason to genuinely believe that your life, limbs or liberty is at risk, if you do not pay, this is not bribery or a facilitation payment, but it must be reported internally through the same channels as facilitation payments.

Our code of conduct was published in 2022, containing policies pertaining to gifts & hospitality, anti-money laundering, anti-trust, trade compliance, conflicts of interest as well as political activity and payments. Management expects this to be the cornerstone of our way to do business in the future.

The risk of corruption is considered low, as one of the foundational elements of the Group is to treat people properly without any kind of unfair prejudice.

Action and performance:

Management's Review (continued)

All contracts with vendors contain standard clauses regarding compliance with human rights, anti-bribery and corruption. No instances of non-compliance with the above-mentioned policy were observed in 2023.

Research and development

The Group continues to explore opportunities to invest in the green transition.

The HySynergy project remains active, although the scope has been reframed from a standalone greenfield project to a study of the ability to modify existing units for co-processing. The project is still in an early stage, but we remain excited about the potential opportunity.

Crossbridge is also involved in several research and pilot projects with other companies and universities. Examples of these projects include HTL technology as a feedstock, alternative carbon capture solutions, green hydrogen infrastructure, and e-fuels production.

Research costs are expensed on a current basis.

Employees, knowledge resources and research activities

The technological development of energy products continues to gather momentum, and it is our clear objective to be at the forefront of this development to ensure the best solutions for the market. The most important competitive parameter of the Group remains the technological knowledge, skills and enthusiasm of our employees. Therefore, we continue to invest heavily in staff development at both the employee and management levels as well as technology to be able to meet our customers' needs for new energy products.

Data ethics

The Group's rules for data ethics are presented as part of the Code of Conduct and include:

Access to data: All access to data is protected with a personal username and password. It is mandatory to change the password regularly. Furthermore, external access to our platforms is protected with two-phase authentication.

ERP: The Company's ERP-system is protected by a required user login. Each user is assigned to specific roles to ensure segregation of duties between the different users and to eliminate risk of unauthorized access to data. Data is stored according to legal requirements.

Employee data: Necessary data regarding employees is kept in a separate system with limited access.

Customer data: All of our customers are corporate entities and the information we collect from them is limited to legal requirements to ensure compliance.

GDPR: The Group complies with current EU General Data Protection Regulations (GDPR).

Financial review

Net Profit/Loss

Net profit after tax was mUSD 32.1 in 2023, compared to net profit of mUSD 145.5 in 2022.

Management expected an EBITDA of mUSD 143.0 at the beginning of the year. The actual EBITDA was mUSD 104.5 (Operating profit mUSD 98.8 + Depreciation of mUSD 5.7). The 2023 result reflects a normalization of Refinery margins compared to 2022, in addition the profit after tax is impacted by Windfall tax of 33%.

Revenue and Profit Margins

Revenue in 2023 decreased by 20% compared to 2022, due to lower oil prices. In addition, due to the fire in the TGU, revenue and profit margins in the first quarter of 2023 were negatively impacted. Under the terms of the

Management's Review (continued)

business interruption insurance policy, the Company was able to recoup lost margin sustained after a 60-day deductible period. Proceeds from the business interruption insurance claim are included in Insurance compensation, see note 6 – Other operating income.

Crude oil traded on average at 83 USD/Bbl in 2023 compared to an average of 101 USD/Bbl in 2022.

Profit Margins in 2023 decreased by 3.1 %-point from 6.2 % in 2022 to 3.1 % in 2023 calculated as gross profit proportionate to revenue.

The result for the year is impacted by costs due to refinancing of mUSD 2.5.

Costs

Distribution and administration costs decreased by mUSD 0.2 to mUSD 28.1 in 2023 as compared to mUSD 28.3 in 2022.

Distribution of Profit

The Board suggests the net income for the year of mUSD 32.1 is carried forward into next year, leaving a remaining equity balance of mUSD 263.7 at year-end 2023.

Capital Resources and Liquidity

We expect our ongoing sources of capital and cash generated from operations to provide sufficient liquidity to meet our short-term and long-term capital requirements. Our liquidity (defined as the sum of (i) cash, (ii) cash related to financing facility and (iii) undrawn capacity available on the AR Facility) as of December 31, 2023, was mUSD 131.9 available to fund payroll, maintenance, and other non-working capital expenses. We have existing credit facilities with J. Aron & Company LLC ("JANY") that provide us with working capital liquidity, which includes the JANY Inventory Monetization Facility ("IM Facility") and the Accounts Receivable Revolving Facility Agreement ("AR Facility"). These agreements were both amended and extended in December 2023, with a new maturity date of 30 June 2027 and with substantially improved terms.

The IM Facility is a volume-based facility which manages our working capital requirements associated with the procurement of crude oil, blend stocks, and finished products. It is subject to a maximum physical quantities of inventory limit and is linked to the capacity of onsite storage tanks rather than a fixed currency limit. This structure provides incremental liquidity to finance crude oil purchases in the event of a sharp rise in commodity prices. The funding available under the AR Facility is based on the amount of eligible receivables in the borrowing base. As of 31 December 2023, we had mUSD 49.4 of undrawn capacity available on the AR Facility.

Based on the Group's current cash balances, expected cash flow in 2024, and the aforementioned credit facilities, the Group's management consider capital resources and liquidity to be adequate.

Financial Position

In 2023, continuous investments focused on asset integrity improvement projects at the Refinery.

The value of the inventories increased by mUSD 20.1 (10.1%) from mUSD 198.5 in 2022 to 218.6 mUSD in 2023.

Receivables decreased by mUSD 3.0 (3.3%) from mUSD 89.3 in 2022 to mUSD 86.3 in 2023.

Current liabilities decreased by mUSD 6.5 (1.9%) from mUSD 334.9 in 2022 to mUSD 328.4 in 2023.

Prospect and Outlook for 2024

As we transition into 2024, our commitment to conducting business safely and reliably remains our top priority.

Following the favorable financial results of 2022, largely driven by extraordinary macroeconomic and geopolitical conditions such as the Russia-Ukraine war, we saw a normalization of financial results in 2023, albeit with

Management's Review (continued)

continued improvement over historical levels, as refining margins remained elevated.

According to the International Energy Agency (IEA) Oil Market Report released in February 2024, global oil demand is projected to reach a record 103.8 million barrels per day, representing a 1.9 million barrels per day increase from the previous year. At the start of 2024, the risk of global oil supply disruptions from the Middle East conflict remains elevated, particularly for oil flows via the Red Sea and, crucially, the Suez Canal. An extreme Arctic freeze that swept through key oil producing regions in the United States and Canada prompted significant supply outages. Expansion in global oil demand growth has been easing in 2023 and is projected to return to its historical trend in 2024 despite an improved outlook for the United States and trade flow disruptions boosting bunker fuel usage while efficiency gains and EVs reduce use. Growth in oil demand for 2024 is driven by China, India and Brazil. Increasing geopolitical tension in the middle east, low inventory levels continued to cast uncertainty, influencing commodity prices and supply chains.

Management anticipates refining margins to remain supportive of a more favorable outlook in 2024, driven by improving demand and reduced refining capacity in the market. Consequently, we expect to generate positive free cash flow from sustained gross refining margins, albeit at levels below those seen in 2022. However, the fluid nature of the Russia-Ukraine conflict and intensifying hostilities in the Middle East and the potential impacts on commodity prices, supply chains, and credit risks remain key uncertainties that could materially affect our operations, earnings, cash flows, and financial condition. Considering these factors, we forecast a refining margin of approximately USD 9.5-10.0/Bbl as compared with our 2023 refining margin of USD 10.6/Bbl. Based on the above uncertainties we expect EBITDA of approximately mUSD 88.9 for 2024.

Risk factors

Operational Risks

The significant operational risk factors are:

- Exposure to pricing on the European product market and the crude oil price has a significant effect on refinery operation profit.
- Unscheduled operational shutdowns at the Refinery can lead to adverse financial impact.
- The large holdings of oil products lead to increased risk associated with fluctuations in oil prices. Under the terms of the IM Facility, the Company's hydrocarbon stocks are substantially hedged against near-term flat price movements, however the Company remains exposed to refining margins. Volatility in refining margins might result in significant variations in the financial results.

Foreign Exchange and Interest Exposure

As a consequence of our operations, investments and financing, the Group is exposed to changes in exchange rates (primarily USD vs DKK) and interest rate levels. Currency risk mainly arises from the purchase, storage and sale of oil products since these are bought and valued based on the US dollar and simultaneously sold to customers in both Danish kroner and US dollar. It is our policy not to hedge such currency risks, which can lead to significant fluctuations in the financial results. Open currency risks are managed by our financial processes while, to the best of our ability, we ensure payables and receivables arise in the same currency.

Post Balance Sheet Events

Reference is made to note 23 in the Consolidated Financial Statements.

Consolidated Financial Statements

Income statement

for the financial year 1 January to 31 December 2023

In million USD	Notes	2023	2022
Revenue	3	<u>2,802.9</u>	<u>3,402.8</u>
Production costs		-2,714.8	-3,192.5
Gross profit		<u>88.1</u>	<u>210.4</u>
Sales and distribution costs		-2.2	-2.5
Administrative costs		-25.9	-25.8
Other operating income	6	38.8	0.0
Operating profit		<u>98.8</u>	<u>182.1</u>
Financial income	7	7.5	8.2
Financial expenses	7	<u>-52.4</u>	<u>-60.3</u>
Profit before tax		<u>53.9</u>	<u>130.1</u>
Tax on profit for the year	8	<u>-21.8</u>	<u>15.4</u>
Net profit for the year		<u>32.1</u>	<u>145.5</u>

Statement of comprehensive income

for the financial year 1 January to 31 December 2023

Profit for the year		32.1	145.5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of operations with another functional currency		<u>10.0</u>	<u>-6.3</u>
Other comprehensive income for the year		<u>10.0</u>	<u>-6.3</u>
Total comprehensive income for the year		<u>42.1</u>	<u>139.2</u>

Consolidated Financial Statements

Balance sheet

as at 31 December 2023

In million USD	Notes	2023	2022
Assets			
Non-current assets			
Intangible assets	10	36.4	39.7
Property, plant and equipment	11	99.0	58.5
Deferred tax asset	9	12.6	35.5
Other non-current assets		<u>7.1</u>	<u>17.0</u>
Total non-current assets		<u>155.1</u>	<u>150.7</u>
Current assets			
Inventories	12	218.6	198.5
Trade receivables		86.3	89.3
Prepayments		5.7	51.0
Other receivables		41.4	27.0
Derivatives	13	2.3	0.0
Cash related to financing facility	13	31.9	10.8
Cash		<u>50.7</u>	<u>29.2</u>
Total current assets		<u>436.9</u>	<u>405.8</u>
Total assets		<u>592.0</u>	<u>556.5</u>

Consolidated Financial Statements

Balance sheet

as at 31 December 2023

In million USD	Notes	2023	2022
Equity			
Share capital	16	0.0	0.0
Translation Reserve		-5.5	-15.5
Retained earnings		<u>269.2</u>	<u>237.1</u>
Total equity		<u>263.7</u>	<u>221.6</u>
Liabilities			
Current liabilities			
Trade payables	13	103.1	59.5
Borrowings	13	187.3	222.8
Income tax liabilities	8, 9	3.3	20.8
Provisions	18	11.8	17.8
Other payables		<u>22.8</u>	<u>13.9</u>
Total current liabilities		<u>328.3</u>	<u>334.9</u>
Total liabilities		<u>328.3</u>	<u>334.9</u>
Total liabilities and equity		<u>592.0</u>	<u>556.5</u>

Consolidated Financial Statements
Statement of changes in equity
for the financial year ending 31 December 2023

In million USD	Share capital	Translation reserve	Retained earnings	Total equity
At 31 December 2022	0.0	-15.5	237.1	221.6
Profit for the year	0.0	0.0	32.1	32.1
Other comprehensive income	0.0	10.0	0.0	10.0
Total comprehensive income	0.0	10.0	32.1	42.1
Transactions with owners in their capacity as owners				
Total transactions with owners	0.0	0.0	0.0	0.0
As at 31 December 2023	0.0	-5.5	269.2	263.7

Statement of changes in equity
for the financial year ending 31 December 2022

In million USD	Share capital	Translation reserve	Retained earnings	Total equity
At 31 December 2021	0.0	-9.2	91.6	82.4
Profit for the year	0.0	0.0	145.5	145.5
Other comprehensive income	0.0	-6.3	0.0	-6.3
Total comprehensive income	0.0	-6.3	145.5	139.2
Transactions with owners in their capacity as owners				
Total transactions with owners	0.0	0.0	0.0	0.0
As at 31 December 2022	0.0	-15.5	237.1	221.6

Consolidated Financial Statements

Statement of cash flows

for the financial year 1 January to 31 December 2023

In million USD	Notes	2023	2022
Cash flows from operating activities			
Net profit for the year		32.1	145.5
Adjustments	15	83.0	59.9
Changes in net working capital	15	53.2	21.4
Realized foreign exchange rate gains	7	1.3	7.7
Interest paid	7	-22.6	-60.3
Income taxes paid/received		-17.0	-0.7
Net cash inflow (outflow) from operating activities		130.0	173.5
Cash flows from investing activities			
Payments for intangible assets	10	-6.9	-12.5
Payments for property, plant and equipment	11	-50.1	-27.2
Net cash inflow (outflow) from investing activities		-57.0	-39.7
Cash flows from financing activities			
Repayment of borrowings	15	-54.5	-122.0
Net cash inflow (outflow) from financing activities		-54.5	-122.0
Net increase (decrease) in cash		18.5	11.8
Cash at the beginning of the financial year		29.2	22.3
Effects of exchange rate changes on cash		3.0	-5.0
Cash at end of year		50.7	29.2

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Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

The Consolidated Financial Statements of PL ESG Denmark Co ApS and its subsidiaries ('the Group') for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Executive Board on 7 June 2024.

This note provides a list of the material accounting policies adopted in the preparation of these Consolidated Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with IFRS Accounting Standards as adopted by the EU as well as the additional Danish disclosure requirements applying to entities of reporting class C for large enterprises.

The Consolidated Financial Statements have been prepared on a historical cost basis except for embedded derivative financial instruments which are measured at fair value.

The Consolidated Financial Statements are presented in United States dollar (USD), which is also the functional currency of the Parent Company. All values are rounded to the nearest million, except when otherwise indicated.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods. Except for the amendments to IAS 12, cf. below, these have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. However, the following amendment to IAS 12 Income Taxes has been adopted by the Group.

Amendments to IAS 12 Income Taxes — International Tax Reform — Pillar Two Model Rules

The Danish group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
 - amount of any non-controlling interest in the acquired entity, and
 - acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollar (USD), which is the functional currency of the Company.

Foreign currency translation - transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

The results and financial position of operations that have a functional currency different from United States dollar are translated into United States dollar as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue

Revenue from sales of oil products is recognised at the transaction price to which the Group expects to be entitled, after deducting sales taxes, excise duties and similar levies. Generally, the sales price for sale of oil products is determined based on the average observable price for the respective products over the time period in which the sale is made. Price adjustments attributable to price changes following delivery are considered embedded oil price linked derivatives. Consequently, revenue is measured based on the average price up until the date of delivery and the subsequent price changes attributable to the embedded oil price derivative are recognized as other revenue.

Revenue from sale of oil products is recognised when control of the products has been transferred to the customer. For sales of oil products, it is either at the point of delivery or the point of receipt, depending on the contractual terms.

Revenue from refining for other parties is recognized along with provision of the refining service.

Revenue from sale of electricity and waste heat is recognized along with delivery of the electricity and waste heat.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Other operating income

Other operating income comprise items of a secondary nature to the activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment, as well as insurance compensation for loss of income and damaged equipment.

Production costs

Production expenses include costs incurred to generate revenue for the year. Cost includes raw materials, consumables, direct labour and indirect production costs such as maintenance, depreciation and impairment losses. Furthermore, costs for operation, administration and management of the Fredericia Refinery are allocated.

Sales and distribution costs

Sales and distribution expenses include costs such as salaries for sales and distribution personnel, advertising and marketing costs, depreciation, etc.

Administrative costs

Administrative expenses include costs of management, administrative personnel, office, depreciation etc.

Financial income and expenses

Financial income and expenses (net financial items) include interest income and expenses calculated in accordance with the effective interest method as well as exchange rate gains and losses on foreign currency transactions.

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

Income tax

The income tax expense or income for the year is the tax payable on the current period's taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax assets and liabilities

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Intangible assets

Intangible assets include externally acquired EU Emission Allowances used in the EU Emissions Trading Scheme and are recognised at cost and subsequently measured at cost less accumulated amortisation and impairment losses. The calculation of the amortisation considers the residual value of the EU Emission Allowances, which is determined by reference to the active market for emission allowances.

EU Allowances that are received free of charge as government grants are recognised at cost (nil).

Separately acquired favorable agreements are shown at historical cost. Favorable agreements acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives. Favorable agreements are depreciated over a period of 20 years.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Land	Not depreciated
Buildings	10 - 50 years
Technical installations and machinery	8 - 20 years
Operating equipment and fixtures	3 - 8 years
Assets under construction	Not depreciated

Impairment of assets

Non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Other non-current assets

Other non-current assets consist of deposits related to the finance facilities measured at amortised cost.

Inventories

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

The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price. The cost of goods for resale equals landed cost. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Goods for resale, raw materials and consumables comprise the purchase price plus transportation costs. Exchange agreements with other oil companies form part of the balance for inventories.

The cost price of finished goods comprises the cost of raw materials, consumables, and direct labour plus production overheads. Indirect production overheads comprise indirect materials and wages, maintenance and depreciation of production machinery, plant and equipment as well as administration and management.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost less loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss.

Prepayments

Prepayments recognised under assets comprise incurred costs pertaining to the subsequent financial years. They are measured at cost.

Derivative Financial Instruments

The Group is exposed to commodity price risk related to gross profit on its refined products and hedge roll requirements under our JANY IM Facility Agreement. We manage our exposure using various over the counter derivative instruments including swaps and futures contracts based on crude and refined products traded on the Intercontinental Exchange (ICE).

The Group uses these OTC swaps and futures instruments to provide a measure of stability to its cash flows in an environment of volatile prices and to manage its exposure to price volatility. Futures and swaps are initially, and subsequently, measured at estimated fair value and recorded as assets or liabilities on the consolidated balance sheet. The Group has elected not to designate its futures and options as hedges under hedge accounting, therefore changes in the estimated fair value of the contracts are recorded as gains and losses in the consolidated income statement. When the positions are settled, the Group recognizes realized gains and losses in the consolidated income statement. Futures and options cash flows are reported as cash flows from operating activity in the consolidated statement of cash flows.

The Group also has an embedded derivative for its obligation to repurchase certain crude oil and refined products from JANY at the termination of its Inventory Monetization Agreement. This liability was initially recorded at fair value and is subsequently adjusted to fair value at the end of each reporting period through earnings.

Cash related to financing facility

Cash related to financing facility represents a lender-controlled deposit that is in the Group's name, with deposited funds directed by the Group to its lenders for the AR facility.

Financial liabilities

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are at initial recognition assessed for non closely related embedded derivatives such as prepayment options at a price not approximately equal to the amortised cost, in the money interest rate floors and caps etc. Proceeds received from the lender is adjusted for the initial fair value of such non closely related embedded derivative resulting in an adjustment to the effective interest rate. The embedded derivatives are subsequently measured at fair value through profit or loss.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Employee benefits

Pensions

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Long Term Retention Bonus

Long term retention bonus program is 3-year program for selected employees. In the award year the expected total expenditures after 3 years are accrued for. The individual bonuses are based on salary groups. The programme is offered every year. At the end of each period the final bonus is calculated and paid out and the entity revises the estimated amount. The release of the first retention bonus programme will be released in January 2025.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Provisions

Provisions are recognised when the Group as a result of events occurring before the balance sheet date has a legal or constructive obligation, and when an outflow of economic benefits is probable to settle the obligation. Provisions are recognised and measured as the best estimate of the expenditure required to settle liabilities at the reporting date. Provisions with an expected maturity exceeding one year from the balance sheet date are discounted using the average bond yield.

The value of provisions related to decommissioning and restoration of the land and production plant is recognised as property, plant and equipment and is depreciated over the assessed lifetime of the refinery.

Notes to the Consolidated Financial Statements

Note 1 Material accounting policy information

Other provisions consist of the obligation to deliver emission rights to cover the yearly emission by the Group, which is measured at the amount that is expected to be required to settle the obligation.

Equity reserves

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deductions, net of tax, from the proceeds.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Statement of cash flows

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

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 share-based payment expenses, depreciation, amortisation and impairment losses. Working capital comprises current assets less short-term debt, excluding items included in cash and cash equivalents.

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 comprise cash flows from the raising and repayment of long-term debt and principal element on lease payments as well as payments to and from shareholders.

Cash

Cash comprises cash and bank balances.

Key figures

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

Return on assets:
$$\frac{\text{Operating profit} \times 100}{\text{Total assets}}$$

Liquidity ratio:
$$\frac{\text{Current assets} \times 100}{\text{Total assets}}$$

Notes to the Consolidated Financial Statements

Note 2 Critical estimates and judgements

The preparation of Financial Statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Judgements

Inventory sale and repurchase arrangement

The Group has entered into an agreement under which the counterparty acquires crude oil, other feedstock and products. Under the arrangement, the counterparty legally acquires the goods and has a right to sell them back to the Group. The sales price as well as the repurchase price are based on the prevailing market rates for crude oil etc. Further, the resale price is increased with an amount which is a function of the time period between purchase and resale.

Management has assessed whether the arrangement should be accounted for as a sale of good or as a financing transaction, based on IFRS 15's guidance regarding buyer options to resell the goods. Management has considered that due to the fact that the sales price at any point in time will be higher than the sales price determined based on the market price for crude oil upon repurchase, the arrangement is a financing arrangement.

The arrangement is considered a lending arrangement with an embedded commodity price index. Refer to note 13 for disclosure about the embedded derivative outstanding as of 31 December 2023.

Significant estimates

Deferred tax

As of 31 December 2023, the Group has unused tax losses of mUSD 4.5, which has been recognised in the consolidated balance sheet. The losses can be carried forward indefinitely and have no expiration date.

In addition, the Group has temporary differences of mUSD 8.1 to be carried forward of which has been recognised in the balance sheet.

Recognition of deferred tax assets requires that it is probable that future taxable profits are available against which the unused tax losses can be utilised. As the approved budget and business plan show that the Group will be generating taxable profits in the foreseeable future, Management has concluded that it will be able to meet the strict criteria in IAS 12. To provide convincing evidence, improvement yield structure and competitive position has been considered as key drivers. Consequently, the deferred tax asset of mUSD 12.6 has been recognised.

Decommissioning and restoration provision

In 2020, Crossbridge Energy A/S recognised for the first time a decommissioning and restoration provision of mUSD 41.5 for the refinery following a strategic decision taken by the former owner Royal Dutch Shell, which indicated a termination date of the refinery's operation.

Following the change of ownership in 2021, a new long-term strategic plan has been established. This plan focuses on transforming the refinery by shifting to new renewable feedstocks and business opportunities. Therefore, Management has decided to reverse the decommissioning and restoration provision, since an indefinite lifetime of the refinery operation is assessed.

Purchase price allocation

In applying the acquisition method of IFRS 3, estimates are an integral part of assessing fair values of several identifiable assets acquired and liabilities assumed, as observable market prices are typically not available.

Valuation techniques where estimates are applied typically relate to determining the present value of future uncertain cash flows or assessing other events in which the outcome is uncertain at the date of acquisition.

More significant estimates are typically applied in accounting for property, plant and equipment, customer relationships, trade receivables, debt and contingent liabilities. As a result of the uncertainties inherent in fair value estimation, measurement period adjustments may be applied.

Notes to the Consolidated Financial Statements

Note 3 Revenue

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods as specified as follows:

In million USD	2023	2022
Sale of energy and oil products at the Danish market	1,795.3	2,417.3
Export of oil products	978.2	940.2
Other revenue from related activities	29.4	45.4
	<u>2,802.9</u>	<u>3,402.8</u>

The Group recognises, in all material aspect, its revenue at a point in time.

The Group's contracts are spot or fixed-volume contracts and are all for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these contracts are not disclosed.

Note 4 Staff costs

In million USD	2023	2022
Wages and salaries	34.5	33.2
Pension cost, defined contribution plans	3.0	2.7
Other social security costs	0.1	0.1
Long term retention program	0.8	0.7
	<u>38.4</u>	<u>36.7</u>

Average number of employees

	271	254
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The Group has offered a long-term retention bonus program. Binding period is three years and the retention bonus will be paid at the Group's discretion if certain conditions are met at time of release.

Key management personnel compensation

Key management personnel consist of the Executive Board. The Executive Board do not receive any remuneration from the Group.

A total of mUSD 4.0 has been paid during 2023 (2022: mUSD 4.0) to a management entity for key management services.

In accordance with the Danish Financial Statements Act section 98B (3) remuneration of the Executive Board has not been disclosed.

Notes to the Consolidated Financial Statements

Note 5 Depreciation, amortisation and impairment

In million USD	2023	2022
Depreciation and amortisation		
Depreciation of buildings	1.5	0.1
Depreciation of technical installation and machinery	12.5	11.1
Depreciation of operating equipment and fixtures	0.6	2.2
Amortisation of favorable agreements	1.7	1.7
	<u>16.3</u>	<u>15.1</u>
Total depreciation, amortisation and impairment	<u>16.3</u>	<u>15.1</u>

Note 6 Other operating income

In million USD	2023	2022
Other operating income		
Insurance compensation	<u>38.8</u>	<u>0.0</u>
Total other operating income	<u>38.8</u>	<u>0.0</u>

Insurance claim

The fire damage the 17th of December 2022 caused the refinery to be shut down for approximately 10 days, with partial production resuming without the thermal gasoil unit (TGU) operational. This impacted the refinery's ability to process heavy crudes and a greater proportion of long residue products were manufactured. The insurance claim was based on a combination of business interruption and property damage. The final settlement was 38,5 mUSD and the total amount was received in 2023, which included 19.4 mUSD covered damaged fixed assets and 19.1mUSD covering operating losses due to the fire. The claim is recognized in other income.

Notes to the Consolidated Financial Statements

Note 7 Financial income and expenses

In million USD	2023	2022
Financial income		
Other financial income	0.0	0.5
Foreign exchange rate gains	<u>7.5</u>	<u>7.7</u>
Total financial income	<u>7.5</u>	<u>8.2</u>
Financial expenses		
Termination of debt and fair value adjustment of embedded derivatives	16.5	0.0
Other losses termination of debt	2.5	0.0
Interest expenses on borrowings	25.5	28.6
Exchange rate losses	<u>7.9</u>	<u>31.6</u>
Total financial expenses	<u>52.4</u>	<u>60.3</u>
Total interest expense related to financial liabilities not at fair value through profit or loss	<u>25.5</u>	<u>28.6</u>

Notes to the Consolidated Financial Statements

Note 8 Income tax expense

In million USD	2023	2022
Current tax		
Current tax on profits for the year	-3.9	-15.5
Adjustments for current tax of prior periods	5.0	0.2
Adjustments for deferred tax of prior years	-0.2	1.7
Deferred tax adjustment at year end allowance	-13.6	35.5
Deferred income tax	<u>-9.2</u>	<u>-6.4</u>
Income tax expense	<u>-21.8</u>	<u>15.4</u>

In million USD	2023	%	2022	%
Reconciliation of effective tax rate				
Tax at the Danish tax rate of 22% (2022: 22%)	-10.5	22.0%	28.6	22.0%
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:				
Windfall tax 33% (2022: N/A)	-2.3	4.3%		
Deferred tax adjustment	-13.6	25.2%	-52.1	-40.1%
Non-deductible expenses	-0.4	0.8%	0.0	0.0%
Interest limitation	0.0	0.0%	6.6	5.0%
Other adjustments	0.2	-0.4%	1.7	1.3%
Adjustments for current tax of prior periods	<u>4.8</u>	<u>-8.8%</u>	<u>-0.2</u>	<u>0.0%</u>
Income tax expense	<u>-21.8</u>	<u>40.4%</u>	<u>-15.4</u>	<u>-12.0%</u>

Pillar II

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

On 7 December 2023, the government of Denmark, where the Group is incorporated, enacted the Pillar Two income taxes legislation effective from 1 January 2024. Under the legislation, the Company will be required to pay a minimum domestic top-up tax on profits that are taxed at an effective tax rate of less than 15 per cent. As of 31 December 2023, no additional domestic Top-up tax is expected. This information is based on the Transitional CbCR Safe Harbour tests in the Pillar Two model rules. The Company is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance including any enactment of the rules at its US Parent Group.

Deferred tax adjustment relates to the utilisation of tax losses carry forward of mUSD 16.1 and capitalisation of tax losses carry forward and temporary differences of mUSD 6.8, totaling a deferred tax adjustment of mUSD 22.9.

Notes to the Consolidated Financial Statements

Note 9 Deferred tax

In million USD	2023	2022
Deferred tax		
Deferred tax at the beginning of period	35.6	0.0
Deferred tax recognised in the statement of profit or loss	<u>-23.0</u>	<u>35.5</u>
Deferred tax at year end	<u>12.6</u>	<u>35.5</u>
Deferred tax relates to:		
Property, plant and equipment	6.2	27.6
Intangible assets	-6.5	-6.8
Tax losses carried forward	4.6	6.7
Other	<u>8.3</u>	<u>8.0</u>
Total	<u>12.6</u>	<u>35.5</u>
Deferred tax asset, recognised	<u>12.6</u>	<u>35.5</u>

In line with the requirements of IAS 12, the deferred tax assets and liabilities are offset as the Group has a legal right to set off and as they relate to income tax with the same taxation authority.

As of 31 December 2023, the Group has deferred tax assets of mUSD 12.6, which are expected to be utilised in the coming 3-5 years.

Notes to the Consolidated Financial Statements

Note 10 Intangible assets

In million USD	Favorable agreements	Purchased emission rights	Total
Costs:			
At 31 December 2022	33.6	8.7	42.3
Additions	0.0	6.9	6.9
Disposals/settlements	0.0	-8.8	-8.8
Change in Foreign Exchange rates	0.0	0.2	0.2
At 31 December 2023	<u>33.6</u>	<u>7.0</u>	<u>40.6</u>
Accumulated appreciation and impairment:			
At 31 December 2022	-2.5	0.0	-2.5
Amortization charge	-1.7	0.0	-1.7
Disposals	0.0	0.0	0.0
At 31 December 2023	<u>-4.2</u>	<u>0.0</u>	<u>-4.2</u>
Carrying amount at 31 December 2023	<u>29.4</u>	<u>7.0</u>	<u>36.4</u>

No amortisations charge has been recognised for the emission certificates for 2023 or 2022 as the residual value is at least equal to the carrying value.

Favorable agreements consist of an agreement with the Danish port authority. The agreement allows the refinery to operate the harbor as a private port and such, the refinery is exempt from the payment of cargo dues on imports and exports of various crude and refined products. The remaining useful life of the agreement at period end is 17 years and six months.

Costs:

At 31 December 2021	33.6	10.1	43.7
Additions	0.0	12.5	12.5
Disposals/settlements	0.0	-13.3	-13.3
Change in Foreign Exchange rates	0.0	-0.6	-0.6
At 31 December 2022	<u>33.6</u>	<u>8.7</u>	<u>42.3</u>
Accumulated amortization and impairment:			
At 31 December 2021	-0.8	0.0	-0.8
Amortization charge	-1.7	0.0	-1.7
Disposals	0.0	0.0	0.0
At 31 December 2022	<u>-2.5</u>	<u>0.0</u>	<u>-2.5</u>
Carrying amount at 31 December 2022	<u>31.1</u>	<u>8.7</u>	<u>39.7</u>

Notes to the Consolidated Financial Statements

Note 11 Property, plant and equipment

In million USD	Land and buildings	Technical installations and machinery	Operating equipment and fixtures	Assets under construction	Total
Cost:					
At 31 December 2022	10.4	37.5	27.2	8.0	83.2
Additions	0.0	0.0	0.0	50.1	50.1
Transfers	3.0	25.2	3.5	-31.7	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Change in foreign exchange rates	0.5	2.3	1.6	0.5	5.0
At 31 December 2023	<u>13.9</u>	<u>65.0</u>	<u>32.3</u>	<u>26.9</u>	<u>138.3</u>
Accumulated depreciation and impairment:					
At 31 December 2022	-1.8	-14.1	-8.9	0.1	-24.7
Depreciation charge	-1.5	-12.5	-0.6	0.0	-14.6
Disposals	0.0	0.0	0.0	0.0	0.0
Change in foreign exchange rates	0.0	-0.0	0.0	0.0	0.0
At 31 December 2023	<u>-3.3</u>	<u>-26.6</u>	<u>-9.5</u>	<u>0.1</u>	<u>-39.3</u>
Carrying amount 31 December 2023	<u>10.6</u>	<u>38.4</u>	<u>22.8</u>	<u>27.0</u>	<u>99.0</u>
As per 31 December 2023 the Group has no capital commitments related to property, plant and equipment.					
Cost:					
At 31 December 2021	7.4	29.6	17.0	7.0	61.0
Additions	0.0	0.0	0.0	27.2	27.2
Transfers	0.0	16.0	6.1	-22.1	0.0
Disposals	-0.4	-1.0	3.7	0.0	2.3
Change in foreign exchange rates	3.5	-7.1	0.4	-4.0	-7.3
At 31 December 2022	<u>10.4</u>	<u>37.5</u>	<u>27.2</u>	<u>8.1</u>	<u>83.2</u>
Accumulated depreciation and impairment:					
At 31 December 2021	-1.1	-4.3	-2.5	0.0	-7.9
Depreciation charge	-0.1	-11.1	-2.2	0.0	-13.4
Disposals	0.4	1.0	-3.7	0.0	-2.3
Change in foreign exchange rates	-0.9	0.2	-0.5	0.0	-1.1
At 31 December 2022	<u>-1.8</u>	<u>-14.1</u>	<u>-8.8</u>	<u>0.0</u>	<u>-24.7</u>
Carrying amount 31 December 2022	<u>8.7</u>	<u>23.4</u>	<u>18.3</u>	<u>8.1</u>	<u>58.5</u>

Notes to the Consolidated Financial Statements

Note 12 Inventory

Inventory

In million USD	2023	2022
Raw materials and consumables	79.9	67.5
Finished goods and trading goods	<u>138.7</u>	<u>131.0</u>
	<u>218.6</u>	<u>198.5</u>

Inventories recognised as an expense during the year ended 31 December 2023 amounted to mUSD 2,574 (2022: mUSD 3,007)

Notes to the Consolidated Financial Statements

Note 13 Financial assets and financial liabilities

The Group holds the following financial instruments:

In million USD	2023	2022
Financial assets		
Financial assets at amortised cost:		
Trade receivables	86.3	89.3
Other non-current assets	7.1	17.0
Other receivables	41.4	27.0
Cash related to financing facility	31.9	10.8
Cash	<u>50.7</u>	<u>29.2</u>
	<u>217.4</u>	<u>173.3</u>
Financial assets at fair value:		
Derivatives	2.3	0.0
Embedded derivative asset included in amortised cost of Borrowings	<u>0.0</u>	<u>10.8</u>
	<u>0.0</u>	<u>10.8</u>
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	187.3	233.6
Trade payables	103.1	59.5
Other payables	<u>22.7</u>	<u>13.9</u>
	<u>313.1</u>	<u>307.1</u>

The new embedded derivative asset has a value of 21.0 mUSD as of 1 January 2024, which will be amortized over the maturity period of the new financing agreement.

The Group's exposure to various risks associated with the financial instruments is discussed in note 14.

For financial assets and liabilities of short-term nature, such as trade receivables and trade payables, the carrying amount approximates their fair value. For borrowings, the fair values are not materially different from their carrying amounts since the interest payable on those borrowings is close to current market rates.

Borrowings

In million USD	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings	187.3	0.0	187.3	233.6	0.0	233.6
Embedded derivative	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-10.8</u>	<u>0.0</u>	<u>-10.8</u>
	<u>187.3</u>	<u>0.0</u>	<u>187.3</u>	<u>222.8</u>	<u>0.0</u>	<u>222.8</u>

Notes to the Consolidated Financial Statements

Note 13 Financial assets and financial liabilities

As of 31 December 2023, the following borrowings were outstanding:

In million USD	Fixed/ variable	Interest level	Carrying amount	Expire date	Currency
Accounts Receivable facility	Variable	SOFR + 4.0%	0.0	6/30/2027	USD
Inventory monetization facility	Variable	SOFR + 4.5%	187.3	6/30/2027	USD

USD London Interbank Offered Rate (LIBOR) is the most significant IBOR for the Group. The IBOR exposure pertains to the AR Facility which consists of a non-derivative financial liability with the principal amount of mUSD 0.0 as per 31 December 2023.

The Group has benchmark rate replacement clauses for all financing facilities with IBOR exposure.

Inventory and repurchase facility

Pursuant to the Inventory Monetization Agreement, the "IM facility", J. Aron purchased and holds title to certain crude oil, intermediate and finished products inventories (the "JANY Inventory") held in storage tanks at the Refinery (the "Storage Tanks"). Additionally, J.Aron has the right to store the JANY Inventory in the Storage Tanks under the IM Facility and will retain these storage rights throughout the term of the agreement.

On an ongoing basis, J.Aron will continue to purchase and hold title to the JANY Inventory as it is purchased or produced by the Refinery upon delivery into the Storage Tanks. The JANY Inventory is sold back to the Group as it is discharged out of the Storage Tanks. These ongoing purchases and sales are net-settled daily and trued-up at month end to the corresponding calendar month average indices.

Though title to the JANY Inventory resides with J.Aron, accounting treatment for the IM Facility is analogous to a product financing arrangement; the crude oil and refined products inventories remain in the Group's balance sheet until processed and sold to a third party. The initial proceeds from J.Aron under the IM Facility was recorded as a liability at fair value and subsequently adjusted to fair value at the end of each reporting period through earnings using current market prices.

In addition to the daily purchases and sales activity with J.Aron pursuant to IM facility, we are obligated to repurchase the crude oil and refined products from J.Aron at the termination of the agreement. We consider the repurchase obligation an embedded derivative, similar to forward purchase contracts of crude oil and refined products, and have recorded it at fair value and subsequently adjusted to fair value at the end of each reporting period through the income statement using forward market prices.

The Group has elected to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement, therefore our balance sheet presents the IM Facility derivative assets and liabilities on a net basis.

As discussed in note 2, the arrangement is considered a lending arrangement with an embedded commodity price index.

Notes to the Consolidated Financial Statements

Note 13 Financial assets and financial liabilities

Accounts receivable facility

Under the accounts receivable facility, the Group can draw down subject to transferring trade receivables to the lender with a nominal amount of 85.0 % as collateral. As of 31 December 2023 the Group had an account receivables balance of mUSD 59.9 giving a drawing right of mUSD 49.4. Drawn facility has not been used at 31 December 2023. As of 31 December 2022, the Group had an account receivables balance mUSD 70.8, giving a draw right of mUSD 67.4. In 2022 mUSD 20.1 has been used of the facility. For 2024 the interest rate for unused credit facility is 1.75% (2023: 1.25%).

The Group has retained late payment and credit risk. Therefore, the Group continues to recognise the transferred assets in their entirety in its balance sheet. The Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

As part of the facility the Group receives payments to a bank account which cannot be accessed before a release notice is given. Release notes are normally provided from day to day. Consequently, balances on these accounts as per 31 December 2023 are classified as Cash related to financing facility.

Seller financing facility

As part of the change in ownership the seller provided a term loan. Loan was paid down to zero in 2023, original duration of loan was to end June 2026.

Measurement and fair value hierarchy

This section explains the judgements and estimates made in determining the fair value of the financial instruments that are recognised and measured at fair value in the Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. The Group has classified its financial instrument measured at fair value by using level 2 input from the fair value hierarchy. Input for measuring the fair value on the balance sheet date consist of the inventory level and the forward price on oil.

Notes to the Consolidated Financial Statements

Note 14 Financial risk management

Exposure to financial risk is an embedded part of doing business. This includes risks from financial instruments to which the Group is exposed, and which can have an impact on the consolidated financial statements.

The Group's principal financial liabilities comprise loans and trade payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash and cash equivalents.

The financial risks the Group is exposed to include credit and liquidity risk as well as market risk related to changes in market interest rates, foreign exchange rates and oil price.

The Group's exposure to those risks, including our objectives, policies and processes for managing those risks are described below. There has been no change in the Group's financial risk management policies compared to last year.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's main interest rate risk arises from borrowings and credit facilities with variable rates, which expose the Group to cash flow interest rate risk. Details about the Group's borrowings and credit facilities, including its composition, is provided in note 13.

At 31 December 2023, the carrying amount of the Group's interest-bearing debt with a floating interest rate is mUSD 187.3 (2022 - mUSD 222.8). During 2023 and 2022 the Group's borrowings at variable rate were mainly denominated in USD. The Group is further exposed to changes in interest rates on its bank deposits.

The Group is exposed to the risk of changes in interest rates, primarily as a result of variable rate borrowings under our revolving credit facilities. To the extent that interest rates increase, interest expense for these revolving credit facilities will also increase. As of December 31, 2023, the Group has not entered into any interest rate hedging agreements, but will continue to monitor our interest rate exposure.

Sensitivity analysis

A reasonably possible change in the market rates of interest compared to the interest rates as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

In million USD	2023	2022
	Impact on post tax profit and equity	
Interest rates - increase by 100 basis points (2022: 100 bps)	-2.0	-1.9
Interest rates - decrease by 100 basis points (2022: 100 bps)	2.0	1.9

Notes to the Consolidated Financial Statements

Note 14 Financial risk management

The sensitivity analysis is based on the assumption that all other variables and exposures remains constant. The impact on post tax profit and equity is based on those financial instruments that were recognised at the respective balance sheet dates. The sensitivity analysis does not consider impact from proceeds and repayments on borrowings made during the year.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates.

The majority of the Group's products are sold domestically and denominated in DKK, whereas exports to the European market are primarily made in USD. Purchases are mainly made in USD and DKK.

As further described in note 13, the Group's borrowings and credit facilities are denominated in USD.

As of 31 December 2023, the Group did not have any financial derivative instruments to hedge the risks related to foreign currency exchange rates. The Group will continually monitor the market and its exposure and may enter into these agreements in the future.

Due to the fixed exchange rate regime between DKK and EUR, the Group's exposure to changes in the DKK/EUR exchange rates is insignificant. It is the Group's policy not to hedge its exposure to DKK/USD exchange rates.

Sensitivity analysis

A reasonably possible change in the DKK/USD exchange rate compared to the exchange rate as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

In million USD	2023	2022
	Impact on post tax profit and equity	
DKK/USD - increase by 5 % (2022: 5%)	1.6	-1.5
DKK/USD - decrease by 5 % (2022: 5%)	-1.6	1.5

The sensitivity includes the impact from monetary items denominated in foreign currencies outstanding at the end of the reporting period.

Oil price risk

The prices of crude oil and other feedstocks, and the relationship or margin between our feedstocks and refined and finished petroleum products refined from them materially affect profitability and are dependent upon many factors that are beyond the Group's control.

In addition, as discussed in note 13, the inventory financing arrangement comprises an embedded crude oil and petroleum product price linked derivative. In 2023, we implemented a hedging program to mitigate our exposure to these risks using various OTC derivative instruments including swaps and futures contracts.

Notes to the Consolidated Financial Statements

Note 14 Financial risk management

As of 31 December 2023, the inventory subject to the repurchase obligation amount to 2,219,095 bbls. The repurchase obligation is due June 2027 as per new agreement and was adjusted to fair value at year end using third party commodity pricing indices.

As of 31, December 2023, our unsettled derivative instruments under our hedging program were in place to hedge against execution timing and price exposure on our IM Facility hedge rolls (“Timing” hedges), as well as to protect against decline in the refining margin (the “Crack Spread” hedges). These positions had a fair value of mUSD 2.3, comprised of mUSD 0.5 on Crack Spread hedges and mUSD 1.8 on Timing hedges.

Timing hedges were comprised of OTC swaps using the underlying Brent Crude Oil, Dated Brent Crude, and Low Sulphur Gasoil ICE contracts of duration ranging from Jan 2024 through April 2024. These swaps had a combined notional quantity of 775 kb or roughly 9% of the refinery capacity during this time frame. The total notional value of these agreements was mUSD 1.8 and fair value of zero resulting in a gain of mUSD 1.8.

Crack Spread hedges were comprised of OTC swaps using the underlying Brent Crude Oil, Dated Brent Crude, ULSD 10PPM CIF NWE, Jet Fuel CIF NWE, and Low Sulphur Gasoil ICE contracts of duration ranging from December 2023 through March 2024. These swaps had a combined notional quantity of 267 kb or roughly 3% of the refinery capacity during this timeframe. The total notional value of these agreements was mUSD 4.7 and fair value of mUSD 4.3 resulting in a gain of mUSD 0.4.

To illustrate the impact which changes in the relationship between crude oil and petroleum products prices could have on our results, an increase or decrease in Company's average gross refining margin per barrel of 5% could result in an impact of mUSD 11.2 on post tax profit and equity.

Sensitivity analysis

A reasonably possible change in the forward commodity prices of crude oil and petroleum products price compared to the same forward prices as of the end of the reporting period will have the following hypothetical impact on post tax profit and equity.

In millions USD	2023	2022
	Impact on post tax profit and equity	
Average gross refining margin per barrel - increase by 10 % (2022: 10 %)	22.5	37.8
Average gross refining margin per barrel - decrease by 10 % (2022: 10 %)	-22.5	-37.8

Credit risk

Credit risk arises primarily from trade receivables as well as from cash and cash related to financing facility deposited with banks and financial institutions.

Trade receivables are amounts from customers for delivery of oil products etc. provided in the ordinary course of business. Payments are generally due for settlement within 5 days after invoice date, and are therefore all classified as current.

Notes to the Consolidated Financial Statements

Note 14 Financial risk management

The customers do normally have a high credit quality. As of 31 December 2023, the Group's trade receivables amount to mUSD 86.3 (2022: mUSD 89.3).

It is the Group's policy to use guarantees from customers parent and if that does not provide sufficient security, prepayment will be required from the customer.

In general, all customers will be assessed minimum twice a year and to reduce the credit risk from new customer relationships, the Group uses an internal credit assessment matrix based on the customer's financial performance to determine the customer's credit quality and related credit rating.

Historically the Group has not incurred any material losses from trade receivables. At the reporting date, Management has considered forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables and have adjusted the historic loss rates accordingly.

Due to the composition of the customer base and the past history with no significant credit losses the credit risk on trade receivables is assessed to be insignificant. Consequently, the Group's allowance for expected credit losses from its trade receivables, measured by applying the IFRS 9 simplified approach, is immaterial.

In addition, the Group is exposed to counterparty risk related to deposits with banks. As of 31 December 2023, deposits with banks amounted to mUSD 50.7 (2022: mUSD 29.2). To mitigate this risk, it is the Group's policy only to use banks of high quality and with low credit risk.

Concentration of credit risk

The Group has identified a concentration of risk on receivables from few separate customers within the oil sector. Concentration of credit risk is implied in the nature of a few customers since the impact of a potential default of a single customer will be significant for the Group. As per 31 December 2023, trade receivables relating to the 3 largest costumers amounted to mUSD 57.1 (As per 31 December 2022: mUSD 66.1).

Liquidity risk

We expect our ongoing sources of capital and cash generated from operations to provide sufficient liquidity to meet our short- and long-term capital requirements. Our liquidity as of December 31, 2023, (defined as the sum of (i) cash, (ii) cash related to financing facility and (iii) undrawn capacity available on the AR Facility) was USD 131.9 million available to fund payroll, maintenance, and other nonworking capital expenses. In addition, we have existing credit facilities with J. Aron & Company LLC ("JANY"), in addition to other lenders, that provide us with working capital liquidity, which includes the JANY Inventory Monetization Facility ("IM Facility") and the Accounts Receivable Revolving Facility Agreement ("AR Facility").

Notes to the Consolidated Financial Statements

Note 14 Financial risk management

The IM Facility is a volume-based facility to manage our working capital requirements associated with the procurement of crude oil, blend stocks and finished products that is subject to maximum physical quantities of inventory linked to the capacity of the storage tanks rather than a fixed currency limit, providing incremental liquidity to finance crude oil purchases in the event of rising commodity prices. The advancement of funding from the AR Facility is based on the amount of eligible receivables in the borrowing base, providing working capital liquidity associated with the sale of finished products to customers. As of 31 December 2023, we had USD 49.4 million of undrawn available capacity on the AR facility (2022: mUSD 38.3). In addition, the Group has a balance of mUSD 31.9 in cash related to financing facility (2022: mUSD 10.8). Based on the Group's expected cash flow developments in 2024 and access to the credit facilities described, the Group's Board of Directors and Executive Board consider capital resources and liquidity to be adequate.

The existing credit facilities with J. Aron & Company LLC("JANY") that provide us with working capital liquidity, which includes the JANY Inventory Monetization Facility ("IM Facility") and the Accounts Receivable Revolving Facility Agreement ("AR Facility"), were both amended and extended in December 2023, with a new maturity date of 30 June 2027 and with with substantially improved terms.

Maturities of financial liabilities

The amounts disclosed in the following table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total contractual cash flows	Carrying amount
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At 31 December 2023

Trade payables	103.1	0.0	0.0	0.0	103.1	103.1
Borrowings	<u>187.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>187.3</u>	<u>187.3</u>
	<u>290.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>290.4</u>	<u>290.4</u>

Contractual maturities of financial liabilities	< 1 year	1 - 2 years	2 - 5 years	> 5 years	Total contractual cash flows	Carrying amount
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At 31 December 2022

Trade payables	71.0	0.0	0.0	0.0	71.0	71.0
Borrowings	<u>211.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>211.4</u>	<u>211.4</u>
	<u>282.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>282.4</u>	<u>282.4</u>

Notes to the Consolidated Financial Statements

Note 15 Cash flow specifications

In million USD	2023	2022
Adjustments		
Financial income	-7.5	-7.3
Financial expenses	52.4	60.6
Depreciation and amortisation	16.3	3.8
Income Tax	21.8	0.7
Other adjustments	0.0	2.1
	<u>83.0</u>	<u>59.9</u>
Changes in net working capital		
Change in inventories	-12.2	-39.8
Change in receivables	21.1	32.1
Change in trade payables	44.3	29.1
	<u>53.2</u>	<u>21.4</u>

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

In million USD	Borrowings
At 31 December 2022	211.4
Cash flows	-54.5
Fair value adjustment of embedded derivative	5.5
Other changes	<u>25.0</u>
At 31 December 2023	<u>187.3</u>
At 31 December 2021	348.9
Cash flows	-111.6
Fair value adjustment of embedded derivative	-4.9
Other changes	<u>-20.9</u>
At 31 December 2022	<u>211.4</u>

Notes to the Consolidated Financial Statements

Note 16 Share capital

	2023	
	Number of shares	Nominal value USD

The share capital comprises:

Ordinary shares at 31 December 2022	400	6,537
Ordinary shares at 31 December 2023	400	6,537

No shares carry any special rights. All shares are fully paid.

	2023	
	USD per share	
Total dividend paid out for the year		0.0
Total dividend proposed for the year		0.0

Note 17 Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is capital-intensive, and their funding strategy is directed at establishing and maintaining an optimal financing structure which supports the Group's objectives, while meeting the agreed financial debt covenants and other requirements with its capital providers. During 2023, the Group complied with financial debt covenants. The Group monitors its capital needs by forecasting cash flows, effective working capital & credit risk management, and by assessing operating performance of its gross margin profitability. In addition, the parent company of the Group is committed to ensuring the long-term growth of the Group.

Notes to the Consolidated Financial Statements

Note 18 Provisions

Provisions

In million USD	2023			2022		
	Current	Non-current	Total	Current	Non-current	Total
Environmental obligation	3.5	0.0	3.5	3.1	0.0	3.1
Other provisions	8.4	0.0	8.4	14.8	0.0	14.8
	<u>11.9</u>	<u>0.0</u>	<u>11.9</u>	<u>17.8</u>	<u>0.0</u>	<u>17.8</u>

The environmental obligation consists of several spillages which have occurred during the recent year. All provisions undergo a review on a monthly basis.

Other provisions consist of the obligation to deliver emission rights to cover the yearly emission by the Group.

In million USD	Decommissioning and restoration	Environmental obligation	Other provisions	Total
At 31 December 2022	0.0	3.1	14.8	17.8
Additional provision charged to land and buildings	0.0	0.0	0.0	0.0
Charged to profit and loss				
- Additional provision recognised	0.0	0.7	8.4	9.1
- Unused amounts reversed	0.0	0.0	0.0	0.0
Amounts used during the year	0.0	-0.5	-15.2	-15.7
Change in Foreign Exchange rates	0.0	0.2	0.4	0.6
As at 31 December 2023	<u>0.0</u>	<u>3.5</u>	<u>8.4</u>	<u>11.8</u>
At 31 December 2021	0.0	4.6	12.0	16.6
Charged to profit and loss				
- Additional provision recognised	0.0	0.9	11.3	12.2
- Unused amounts reversed	0.0	0.0	0.0	0.0
Amounts used during the year	0.0	-2.1	-8.0	-10.1
Change in Foreign Exchange rates	0.0	-0.3	-0.6	-0.9
As at 31 December 2022	<u>0.0</u>	<u>3.1</u>	<u>14.8</u>	<u>17.8</u>

The cost related to the environmental obligation is expected to be realized within one year. Other provisions will be settled within 1 year.

Notes to the Consolidated Financial Statements

Note 19 Interests in other entities

The Group's principal subsidiaries at year end are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business	Ownership interests held by the group	
		2023	
Crossbridge Energy A/S	Fredericia	100%	

Note 20 Related party transactions

The Group is controlled by the following entities:

Name of entity	Type	Place of business	Ownership interests	
			2023	2022
ESG Energy Holdings, LLC	Ultimate parent company	United States of America	100%	100%
ESG Energy Partners	Principal shareholder	United States of America	100%	100%

Information about remuneration to key management personnel has been disclosed in note 4.

Transactions with related parties

In million USD	2023	2022
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The following transactions occurred with related parties:

Transactions with parent companies

Purchase of management services from ESG Energy Partners LLC	-4.0	-4.0
Purchase of 3rd party services via ESG Energy Partners LLC	-3.3	-4.3
	<u>-7.3</u>	<u>-8.3</u>

Transactions with other related parties

Sales of goods and services	1.7	0.0
Purchase of goods and services	-29.5	0.0
	<u>-27.8</u>	<u>0.0</u>

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables from other related parties	0.5	0.0
Current payables to other related parties	-0.6	0.0

No loans with related parties in 2023

Notes to the Consolidated Financial Statements

Note 21 Contingent liabilities and assets pledged as security

Contingent liabilities

The Group is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities liable for payment of income taxes as well as dividends falling due for payment.

Assets pledged as security

Corporate mortgages amounting to mUSD 134 and mUSD 187 as of 31 December 2023 and 31 December 2022 respectively, grant the Company's lenders a security interest in our Inventory, Accounts receivable, Technical installations and machinery, Operating equipment and fixtures as well as other immaterial assets having a combined carrying amount of mUSD 502, and mUSD 414 as of as of 31 December 2023 and 31 December 2022 respectively.

Please refer to note 13 for further description of the terms and conditions for the financing facilities for trade receivables and inventory.

Note 22 Fees to auditors

In million USD	2023	2022
PricewaterhouseCoopers		
Audit fee	0.3	0.2
Other assurance services	0.1	0.0
Tax advisory services	0.0	0.0
Other services	<u>0.1</u>	<u>0.2</u>
	<u>0.5</u>	<u>0.4</u>

Note 23 Subsequent events

The Group has made a dividend payment to its shareholder 30 January 2024 of mUSD 60.0.

No other events after the balance sheet date has affected the balance sheet as of 31 December 2023.

Parent Company Financial Statements

Income statement

for the financial year 1 January to 31 December 2023

In million USD	Notes	2023	2022
Revenue		<u>0.2</u>	<u>0.0</u>
Production costs		0.0	0.0
Gross profit		<u>0.2</u>	<u>0.0</u>
Sales and distribution costs		0.0	0.0
Administrative costs		-0.1	-0.1
Operating profit (loss)		<u>0.1</u>	<u>-0.1</u>
Profit after tax in subsidiaries	5	32.0	145.5
Financial income		0.0	0.0
Financial expenses		<u>0.0</u>	<u>0.0</u>
Profit before tax		<u>32.1</u>	<u>145.5</u>
Tax on profit for the year		<u>0.0</u>	<u>0.0</u>
Net profit for the year		<u>32.1</u>	<u>145.5</u>

Statement of comprehensive income

for the financial year 1 January to 31 December 2023

Profit for the year		32.1	145.5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of operations with another functional currency		<u>10.0</u>	<u>-6.3</u>
Other comprehensive income for the year, after tax		<u>10.0</u>	<u>-6.3</u>
Total comprehensive income for the year		<u>42.1</u>	<u>139.1</u>

Parent Company Financial Statements

Balance sheet

as at 31 December 2023

In million USD	Notes	2023	2022
Assets			
Non-current assets			
Investments in subsidiaries		<u>263.6</u>	<u>221.6</u>
Total non-current assets		<u>263.6</u>	<u>221.6</u>
Current assets			
Cash		<u>0.1</u>	<u>0.0</u>
Total current assets		<u>0.1</u>	<u>0.0</u>
Total assets		<u>263.7</u>	<u>221.6</u>
Equity			
Share capital		0.0	0.0
Reserve for net revaluation according to the equity method		235.6	193.7
Retained earnings		<u>28.0</u>	<u>27.9</u>
Total equity		<u>263.7</u>	<u>221.6</u>
Liabilities			
Current liabilities			
Trade payables		<u>0.0</u>	<u>0.0</u>
Total current liabilities		<u>0.0</u>	<u>0.0</u>
Total liabilities		<u>0.0</u>	<u>0.0</u>
Total liabilities and equity		<u>263.7</u>	<u>221.6</u>

Parent Company Financial Statements

Statement of changes in equity

for the year ended 31 December 2023

In million USD	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
As at 31 December 2022	0.0	193.6	27.9	221.6
Profit for the year	0.0	32.0	0.1	32.1
Other comprehensive income	0.0	10.0	0.0	10.0
Total comprehensive income	0.0	42.0	0.1	42.1
Transactions with owners in their capacity as owners				
Payment of share capital	0.0	0.0	0.0	0.0
Shareholder contribution	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	0.0
As at 31 December 2023	0.0	235.6	28.0	263.7

Statement of changes in equity

for the year ended 31 December 2022

In million USD	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
As at 31 December 2021	0.0	54.4	28.0	82.4
Profit for the year	0.0	145.5	-0.1	145.5
Other comprehensive income	0.0	-6.3	0.0	-6.3
Total comprehensive income	0.0	139.2	-0.1	139.2
Transactions with owners in their capacity as owners				
Payment of share capital	0.0	0.0	0.0	0.0
Shareholder contribution	0.0	0.0	0.0	0.0
Total transactions with owners	0.0	0.0	0.0	0.0
As at 31 December 2022	0.0	193.6	27.9	221.6

Parent Company Financial Statements

Statement of cash flows

for the financial year 1 January to 31 December 2023

In million USD	Notes	2023	2022
Cash flows fom operating activities			
Net loss for the year		32.1	145.5
Adjustment for share of profit in subsidiaries		-32.1	-145.5
Adjustment for non-cash administrative costs		0.0	0.1
Changes in net working capital		<u>0.1</u>	<u>0.0</u>
Net cash inflow (outflow) from operating activities		<u>0.1</u>	<u>-0.0</u>
Cash flows from investing activities			
Cash consideration for acquiring subsidiaries		0.0	0.0
Contribution to subsidiaries		0.0	0.0
Dividends received		<u>0.0</u>	<u>0.0</u>
Net cash inflow (outflow) from investing activities		<u>0.0</u>	<u>0.0</u>
Cash flows from financing activities			
Dividends paid to company's shareholders		0.0	0.0
Shareholder contribution		<u>0.0</u>	<u>0.0</u>
Net cash inflow (outflow) from financing activities		<u>0.0</u>	<u>0.0</u>
Net increase (decrease) in cash		<u>0.1</u>	<u>0.0</u>
Cash at the beginning of the financial year		0.0	0.0
Effects of exchange rate changes on cash		<u>0.0</u>	<u>0.0</u>
Cash at end of year		<u>0.1</u>	<u>0.0</u>

Contents of the notes to the Parent Company Financial Statements

Note 1	Summary of significant accounting policies
Note 2	Critical estimates and judgements
Note 3	Income Tax Expense
Note 4	Deferred Tax
Note 5	Investments in subsidiaries
Note 6	Financial risk management
Note 7	Related party transactions
Note 8	Share capital
Note 9	Capital management
Note 10	Contingent liabilities and assets pledged as security
Note 11	Subsequent events

Notes to the Parent Company Financial Statements

Note 1 Summary of significant accounting policies

As the Parent Company of the Group, the Financial Statements of PL ESG Denmark Co ApS ('the Parent Company') are separate Financial Statements disclosed as required by the Danish Financial Statements Act.

This note provides a list of the significant accounting policies adopted in the preparation of these Financial Statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Financial Statements of the Parent Company have been prepared in accordance with IFRS Accounting Standards as adopted by the EU as well as the additional Danish disclosure requirements applying to entities of reporting class C for large enterprises.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods. Except for the amendments to IAS 12, cf. below, these have not been early adopted by the Parent Company. These standards, amendments or interpretations are not expected to have a material impact on the Parent Company in the current or future reporting periods and on foreseeable future transactions. However, the following amendment to IAS 12 Income Taxes has been adopted by the Parent Company.

Amendments to IAS 12 Income Taxes — International Tax Reform — Pillar Two Model Rules

The Danish group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The accounting policies of the Parent Company are identical with the accounting policies for the Consolidated Financial Statements, except for the following:

Currency translation

Foreign currency adjustments of balances considered part of the total net investment in enterprises which have a functional currency other than United States dollar (USD) are recognised in the income statement of the Parent Company under financials.

Foreign currency translation - transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

Parent Company Financial Statements

Note 1 Summary of significant accounting policies

Investments in subsidiaries

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Parent Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Parent Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from subsidiaries are recognised as a reduction in the carrying amount of the investment.

Where the Parent Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Parent Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Parent Company and its subsidiaries are eliminated to the extent of the Parent Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Parent Company.

Note 2 Critical estimates and judgements

The preparation of Financial Statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Parent Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Judgements

Investments in subsidiaries

Management assesses annually whether there is an indication of impairment of investments in subsidiaries. If so, the investments will be tested for impairment, involving various estimates on future cashflows, growth, discount rates, etc. On 31 December 2023, no impairment indicators were identified.

Notes to the Parent Company Financial Statements

Note 3 Income tax expense

In million USD	2023	2022
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Current tax

Current tax on profits for the year	0.0	0.0
Adjustments for current tax of prior periods	0.0	0.0
Deferred income tax	<u>0.0</u>	<u>0.0</u>

Income tax expense	<u>0.0</u>	<u>0.0</u>
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In million USD	2023	%	2022	%
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Reconciliation of effective tax rate

Tax at the Danish tax rate of 22% (2021: 22%)	-7.1	22.0%	-32.0	22.0%
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Tax effects of amounts which are not deductible (taxable) in calculating taxable income:

Share of profit in subsidiaries	7.1	-5.9%	32.5	-22.8%
Deferred tax, not recognised	0.0	0.0%	-0.5	0.8%
Non-deductible expenses	<u>0.0</u>	<u>0.0%</u>	<u>0.0</u>	<u>0.0%</u>

Income tax expense	<u>0.0</u>	<u>0.0%</u>	<u>0.0</u>	<u>0.0%</u>
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Notes to the Parent Company Financial Statements

Note 4 Deferred tax

In million USD	2023	2022
Deferred tax		
Deferred tax at the beginning of period	0.5	0.5
Adjustments re. Previous years	-0.5	0.0
Deferred tax recognised in the statement of profit or loss	<u>0.0</u>	<u>0.0</u>
Deferred tax at year end	<u>0.0</u>	<u>0.5</u>
Deferred tax relates to:		
Tax losses carried forward	0.0	0.0
Other	<u>0.0</u>	<u>0.0</u>
Total	<u>0.0</u>	<u>0.0</u>
Deferred tax asset, recognised	<u>0.0</u>	<u>0.5</u>
Deferred tax asset not recognised in the balance sheet.	<u>0.0</u>	<u>0.5</u>

In line with the requirements of IAS 12, the deferred tax assets and liabilities are offset as the Group has a legal right to set off and they relate to income tax with the same taxation authority.

As of 31 December 2023, The Company has a deferred tax assets of mUSD 0.0 (2022: mUSD 0.5), which has not been recognised in the balance sheet. The deferred tax asset is comprised of tax loss carryforwards. There is no expiration date on the tax loss carried forward.

Notes to the Parent Company Financial Statements

Note 5 Investments in subsidiaries

In million USD	Total
Costs:	
At 31 December 2022	28.0
At 31 December 2023	28.0
Value adjustments:	
At 31 December 2022	193.6
Foreign exchange adjustments	10.0
Profit for the year	32.0
At 31 December 2023	235.6
Carrying amount at 31 December 2023	263.6

Please refer to note 19 of the Consolidated Financial Statements for information on investments in subsidiaries.

In million USD	Total
Costs:	
At 31 December 2021	28.0
At 31 December 2022	28.0
Value adjustments:	
At 31 December 2021	54.4
Foreign exchange adjustments	-6.3
Profit for the year	145.5
At 31 December 2022	193.6
Carrying amount at 31 December 2022	221.6

Please refer to note 19 of the Consolidated Financial Statements for information on investments in subsidiaries.

Notes to the Parent Company Financial Statements

Note 6 Financial risk management

Exposure to financial risk is an embedded part of doing business.

Financial risks of the Parent Company are handled within the risk management processes and framework of the Group. Please refer to note 14 to the Consolidated Financial Statements.

Note 7 Related party transactions

The Parent Company is controlled by the parent companies disclosed in note 20 to the Consolidated Financial Statements.

No other transactions with key management personnel other than remuneration disclosed in note 5 to the Consolidated Financial Statements have been made.

Note 8 Share capital

Please refer to note 16 of the Consolidated Financial Statements for the disclosure of share capital for the Parent Company.

Note 9 Capital management

In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Parent Company manages capital following the same principles as the group. Please refer to note 17 of the Consolidated Financial Statements for further description of capital management.

Note 10 Contingent liabilities and assets pledged as security

Contingent liabilities

The Parent Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities liable for payment of income taxes as well as dividends falling due for payment.

Note 11 Subsequent events

Please reference Note 23 in the Consolidated Financial Statements.

There are no other subsequent events for the Parent Company.