Controlant hf.

Consolidated Financial Statements 2023

Controlant hf.
Holtasmári 1
201 Kópavogi

Reg.no. 670605-0780

Contents

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Operations of the Company

Controlant hf. (the "Company") provides global pharmaceutical companies and logistics service providers with real-time visibility, automation, insights and services that make their supply chains more agile and resilient from end to end. With Controlant's IoT device-enabled platform, its customers can achieve significant savings, reduce material losses, as well as enhance the reliability and sustainability of their operations. Controlant works at scale with some of the world's largest pharmaceutical companies and has amassed extensive expertise in end-to-end pharma supply chain logistics. While most of the operations are based in Iceland, the Company generates the vast majority of its revenues from its global customer base.

The Consolidated Financial Statements for the year ended 31 December 2023 comprise the financial statements of the Company and its subsidiaries (together "the Group" or "Controlant"). The subsidiaries of the Company that comprise the group are incorporated in Iceland, Denmark, USA, Poland and the Netherlands. These statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and they also include additional disclosures required by Icelandic law.

The Company´s operations in 2023 and future development

In 2023, Controlant's operating revenues amounted to USD 184.9 million, increasing from USD 133.5 million in 2022 or by around 39%. The increase in revenue was primarily driven by reconciliation of deferred income of USD 115 million in relation to Covid-19 vaccine distribution, with no cashflow effect. This also entailed a significant increase in depreciation as older versions of devices were sunset. Net loss in 2023 was USD 10.5 million compared to a profit of USD 5.5 million in 2022 while operating loss was USD 12.2 million compared to a profit of USD 10.3 million in 2022.

The Company continued to invest in its employee base during the earlier part of the year, supporting the increased activity and expansion related to customer agreements. The focus was to grow and strengthen the commercial team as well as making strategic investments in the development of the product portfolio and service offering of the Company, with the aim of leveraging and strengthening the Company's market leading position. However, during the latter half of the year, the Company shifted focus towards rightsizing operations in response to a significant change in forecasted activities surrounding the distribution of Covid-19 vaccine in the last months of 2023 and throughout 2024.

Controlant's average number of full-time employees increased by 33% from 381 in 2022 to 506 in 2023 with full time equivalents. at year-end standing at 545 compared to 428 in 2022. In November 2023 the Company conducted a collective dismissal, where workforce was reduced by 79, primarily in Iceland, with those employees still included in the full time equivalentst at the end of the year. At year-end, the gender diversity of all FTEs stood at 42/58 female to male ratio compared 38/62 in the Executive Team and 40/60 in the Board of Directors.

At the end of 2023, aggregated capitalized research and development cost amounted to USD 40.6 million compared to USD 24.2 million at the end of 2022.

In 2023, the Company concluded two rounds of financing, in the form of debt and equity, in total amounting to USD 80 million. However, given the sharp decrease in Covid-19 vaccine revenues, further funding is anticipated in 2024 to support the investment in the expanding product offering and commercial activities, driven by strong sales pipeline, with the aim of achieving profitability in 2025.

Main challenges and risk factors

In 2023, a significant part of Controlant's revenues was related to the distribution of Covid-19 vaccine for one of the world's largest pharmaceutical companies. This reliance posed a significant risk to the Company's operations, as demonstrated when the forecasted demand for Covid-19 vaccines declined considerably more than anticipated in the latter half of the year. Consequently, the Company implemented measures to reduce operational cost, including adjustments to FTEs, to align operational capacity with the forecasted activities for the coming year. It is expected that the distribution of Covid-19 vaccines will follow more seasonal pattern in the future, in line with established distribution of influenza vaccines.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

The Company continues to maintain strong relationships with its key customers, which include seven of the world's largest pharmaceutical companies in addition to pharma logistics providers, a fast growing segment in the Company's revenue base. There remains a steadfast commitment to expanding the customer base and diversifying revenue streams.

The Company proactively manages currency-related risks, given that a significant portion of the costs are incurred in Icelandic Króna (ISK) while revenues are primarily in USD and other major currencies. To mitigate this exposure, the Company utilizes ISK/USD currency hedges. Management considers the risk of write-offs of accounts receivables to be immaterial, reflecting a prudent approach to financial risk management.

Future outlook

There continues to be strong interest and demand for Controlant's advanced and innovative solutions, which aim to transform global pharmaceutical supply chains. With the rapid advancements in development of biopharmaceuticals the pharmaceutical industry is experiencing a necessary transformation of its supply chain operations with further need for digitalization, automation and data analytics in the coming years. This shift is driving robust growth in the Company's sales pipeline and planned implementations of its solutions with customers. The Company is in a unique position to capitalize on its recent product development and operational expansion. By offering market leading products and services, it can meet the increased demand for digitalization and sustainability in the global pharmaceutical industry's supply chain.

Building on commercial activity in 2023, a considerable increase is expected in revenues from core product and service offering. This expected revenue growth, driven by implementations with a growing customer base, is projected to transition the Company from loss to profit over the next two years. It is worth noting that reconciliation of deferred income incurred during 2020-2023 in relation to the Covid-19 distribution, will continue, where revenue recognition of pre-paid services, used by the Company for investment in its operating assets, is not solely linked to Covid-19 distribution volumes but are also linked to write offs of operating assets.

Significant investments in operational asset base and product development in recent years will bolster gross and operating margins in the coming years. The Company will continue to invest in its employee base and geographical presence, focusing primarily on strengthening commercial capabilities and ongoing product development to unlock further revenue expansion. These investments serve as enablers for future growth.

Furthermore, the development of new groundbreaking products, like the Saga Card and associated software products and services, have the potential to unlock significant future revenue streams, with material contributions anticipated to manifest from 2026 onwards. The strategic investment in disruptive product offerings, developed in partnership with key customers, underscores the Company's commitment to maintaining its market-leading position and ensuring long-term growth and operational sustainability in a fast evolving market landscape.

Corporate governance and non-financial information

Controlant's corporate governance consists of a framework of principles and rules, based on applicable laws, including its Articles of Association and the Guidelines on Corporate Governance issued in July 2021 by the Iceland Chamber of Commerce, Nasdaq OMX Nordic Iceland and the Confederation of Icelandic Employers, which are accessible on the website of the Iceland Chamber of Commerce. The Company's Corporate Governance Statement and overview of non-financial reporting is provided in appendices Non-financial reporting and Corporate Governance Statement.

Controlant recognizes the importance of good governance in creating long-term value for all stakeholders, including shareholders, employees, customers, and the community. The Company's corporate governance documents including its Articles of Association, Rules of Procedure for the Board of Directors, Remuneration Policy and prior year's Financial Statements can be found at https://www.controlant.com/corporate-governance.

Controlant's first EU Taxonomy disclosure, non-financial information reporting alongside the Corporate Governance Statement can be found in the appendix to the Financial Statements.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Share Capital

During the financial year, the Company undertook a share capital increase where 54,027,381 B shares were issued to an investor group led by the Gildi pension fund, with participation from other Icelandic pension funds as well as private investors. The shares, that were issued with reference to paragraph 4 of Article 6 of the Articles of Association of Company, were issued in December 2023 at a price of 105 ISK per share or for a total consideration of approx. USD 40 million. In addition. minor share capital increases have been conducted during the year, with issuance of A shares in accordance with stock option agreements concluded by the Company.

Registered share capital of the Company at year end was ISK 665.5 million, nominal value. The shares in the Company were held by 386 shareholders at the end of 2023, compared to 312 at the end of 2022. The holding of the 10 largest shareholders on 31 December 2023 was as follows:

		Nominal value	Share
1	Frumtak 2 slhf.	52.364.000	7,9%
2	Stormtré ehf.	40.415.045	6,1%
3	Líra ehf.	29.026.945	4,4%
4	Gildi - lífeyrissjóður	26.215.238	3,9%
5	Furinge Invest ApS	24.538.800	3,7%
6	HB6 ehf.	24.360.900	3,7%
7	Kaskur ehf	18.281.600	2,7%
8	Sio ehf.	17.802.945	2,7%
9	NG Invest Ltd.	14.886.300	2,2%
10	SH32 ehf.	13.912.000	2,1%
	Other shareholders (376)	403.699.875	60,7%
	Total share capital (386)	665.503.648	100%

The Board of Directors will propose to the 2024 Annual General Meeting that no dividends will be paid to shareholders for the operational year 2023. Reference is made to the Statement of Changes in Equity in the Financial Statements for an overview of changes in shareholder equity of the Company.

Statement by the Board of Directors and the CEO

According to the Board of Directors' and CEO's best knowledge these Consolidated Financial Statements comply with International Financial Reporting Standards as adopted by the European Union and additional Icelandic disclosure requirements, giving a true and fair view of the Company's financial position as at 31 December 2023, operating performance and the cash flows for the year ended 31 December 2023 as well as describe the principal risk and uncertainty factors faced by the Company.

The Board of Directors and CEO hereby ratify the Consolidated Financial Statements of Controlant for the year 2023 with their signatures.

Kópavogur, 18 April 2024

Board of Directors:

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Søren Skou
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Søren Skou

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CEO:

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Independent Auditors' Report

To the Board of Directors and shareholders of Controlant hf.

Opinion

We have audited the consolidated financial statements of Controlant hf. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act No. 3/2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and CEO for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act No. 3/2006, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements of the Group and the Parent Company

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 18 April 2024

KPMG ehf.

Hjördís Ýr Ólafsdóttir

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Jón Arnar Óskarsson

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Statement of Comprehensive Income for the year 2023

	Notes	2023	2022
Operating revenue			
Sales of goods and services	3	184.890.281	133.466.222
Operating expenses			
Cost of goods and services		22.029.102	31.288.262
Salaries and salary-related expenses	4	50.035.039	28.641.970
Other operating expenses		8.154.269	8.004.213
Depreciation and amortisation	5	116.830.849	55.199.347
		197.049.259	123.133.792
Operating (loss) profit before financial income and expenses		(12.158.978)	10.332.430
Financial income and expenses			
Interest income		303.647	38.165
Interest expenses		(3.896.976)	(1.057.879)
Net currency exchange difference		2.335.713	(2.531.987)
	7	(1.257.616)	(3.551.701)
(Loss) profit before tax		(13.416.594)	6.780.729
Income tax	6	2.886.331	(1.323.503)
(Loss) profit for the year		(10.530.263)	5.457.226
Other comprehensive income:			
Operating items that may be reclassified			
income statement recognized directly in equity:			
Translation differences due to the activities of subsidiaries		2.107	41.442
Total comprehensive (loss) income for the year		(10.528.156)	5.498.668

Statement of Financial Position as at 31 December 2023

	Notes	31.12.2023	31.12.2022
Assets			
Development costs	8	40.595.093	24.217.188
Other intangible assets	8	2.907.373	1.180.953
Operating assets	9	166.365.088	219.135.583
Deferred tax asset	6	7.207.145	4.212.587
Total non-current assets		217.074.699	248.746.311
Trade receivables	11	21.125.456	21.972.065
Other receivables	12	4.525.686	46.090.361
Cash and cash equivalents		45.475.147	10.626.792
Total current assets		71.126.289	78.689.218
Total assets		288.200.988	327.435.529
Equity			
Share capital		5.196.729	4.795.473
Share premium		23.622.780	16.910.932
Reserves		42.511.072	24.459.546
Accumulated deficit		0	(7.370.732)
Total equity	13	71.330.581	38.795.219
Liabilities			
Loans and borrowings	14	33.091.976	0
Warrants	14	7.442.396	0
Lease liabilities	15	6.542.970	8.122.363
Deferred income	2	122.531.523	211.161.949
Total non-current liabilities		169.608.865	219.284.312
Current maturities of lease liabilities	15	2.577.264	1.821.179
Trade payables		5.218.711	14.766.094
Deferred income	2	30.632.881	46.559.979
Other payables		8.832.686	6.208.746
Total current liabilities		47.261.542	69.355.998
Total liabilities		216.870.407	288.640.310
Total equity and liabilities		288.200.988	327.435.529

Statement of Changes in Equity for the year 2023

	Share capital	Share premium	Restricted equity due to development costs	Reserve for profit share	Translation reserve	Accumulated deficit	Total equity
2023							
Equity 1.1.2023	4.795.473	16.910.932	24.217.171	308.099	(65.724)	(7.370.732)	38.795.219
Comprehensive (loss) for the year					2.107	(10.530.263)	(10.528.156)
Increase of share capital	401.256	40.364.895					40.766.151
Effect of subsidiaries				1.671.513		(1.671.513)	0
Capitalization of development costs			16.377.905			(16.377.905)	0
Effect of stock options						2.297.366	2.297.366
Transferred		(33.653.047)				33.653.047	0
Equity 31.12.2023	5.196.729	23.622.780	40.595.076	1.979.612	(63.617)	0	71.330.581
2022							
Equity 1.1.2022	47.437	21.085.040	10.787.200	554.837	(107.166)	(395.967)	31.971.382
Comprehensive income for the year					41.442	5.457.226	5.498.668
Increase of share capital	518	573.410					573.927
Effect of subsidiaries				(246.738)		246.738	(0)
Capitalization of development costs			13.429.971			(13.429.971)	(0)
Effect of stock options						751.242	751.242
Effect of stock split	4.747.518	(4.747.518)					(0)
Equity 31.12.2022	4.795.473	16.910.932	24.217.171	308.099	(65.724)	(7.370.732)	38.795.219

Statement of Cash Flows for the year 2023

	Notes	2023	2022
Cash flows from operating activities:			
(Loss) profit for the year	13	(10.528.156)	5.498.668
Adjustment for:			
Expenses due to stock options	4	2.297.367	751.242
Depreciation	5	116.830.849	55.199.347
Net financing expence		1.257.616	3.551.701
Income tax	6	(2.886.331)	1.323.503
		106.971.345	66.324.461
Changes in current assets and liabilities:			
Trade and other receivables, decrease		2.411.284	7.917.592
Trade and other payables, (decrease) increase		(109.061.916)	85.311.490
Changes in current assets and liabilities		(106.650.632)	93.229.082
Interest income received		303.647	38.165
Interest expenses paid		(1.936.261)	(1.057.879)
Net cash from operating activities		(1.311.901)	158.533.829
Cash flows used in investing activities:			
Investment in intangible assets	8	(28.148.713)	(18.017.238)
Investment in operating assets	9	(12.531.836)	(133.702.875)
Net cash used in investing activities		(40.680.549)	(151.720.113)
Cash flows used in financing activities:			
Increase of share capital		40.766.151	573.927
New loans and borrowings	14	38.609.369	0
Payment of the principal portion of lease liabilities	15	(2.534.715)	(957.775)
Loans and borrowings, change		0	(765.932)
Net cash from (used) in financing activities		76.840.805	(1.149.780)
Change in cash and cash equivalents		34.848.355	5.663.936
Cash and cash equivalents at 1 January		10.626.792	4.962.855
Cash and cash equivalents at 31 December		45.475.147	10.626.792
Investing and financing activities without cash flow effect:			
Investment in operating assets		(40.000.000)	0
Other receivables		40.000.000	0

Notes

1. Reporting entity

Controlant hf. (the "Company") is an Icelandic limited liability Company. The registered office of the Company is at Holtasmári 1, Kópavogur. The Company's main operations are sale and development of the Company's solutions, which consist of hardware, software and services with a special emphasis on global pharmaceutical companies to reduce risk and waste in the supply chain.

2. Basis of accounting

a. *Statement of compliance*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and, as applicable, additional requirements of the Icelandic Act no. 3/2006 on Annual Financial Statements.

The Company's functional currency was determined in accordance with the relevant rules of the standards and is considered to be US dollar (USD) as of 2022. The financial statements are prepared and presented in USD.

Annual financial statements were approved by the Company's Board of Directors on 18 April 2024.

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make decisions, evaluate and make assumptions that affect the application of accounting policies and disclose the amounts of assets, liabilities, income and expenses. The final results may differ from this assessment.

The assessment and its premises are under constant review. Changes in accounting estimates are recognized in the period in which the change occurs and in the future periods that the changes affect.

b. *Foreign currency other than functional currency*

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the conversion rate at that date.

c. *Revenue recognition*

Revenues from the sale of goods and services are recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the sale of services is recognised in the Income Statement when the service has been provided. This is normally done at the beginning or end of each month or relevant period according to agreements.

d. *Development cost*

In the Balance Sheet, development cost is capitalized on the basis of direct salary expenses and other related costs. Amortization is expensed when the product is available for sale and the amortization period is three to five years. Book value of capitalized development cost is transferred from accumulated deficit to reserves within equity, according to Act no. 3/2006. See further in note 8.

e. *Other intangible assets and operating assets*

Items of other intangible assets and operating assets are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation and amortization is calculated on the straight-line basis according to the estimated useful life of assets until a residual value has been reached.

2. Basis of accounting, contd:

f. Lease assets

At the beginning of the contract, the group evaluates whether the contract or part of it constitutes a lease agreement. An agreement is a partial or full lease agreement if it includes the right to control a specific property for a specific period of time in exchange for payment. When assessing whether a lease agreement includes control of a specific asset, the group uses the definition of a lease agreement according to IFRS 16.

(i) The Group as lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Group presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Basis of accounting, contd:

g. Inventories

Inventories comprise equipment in stock that are available for utilization of services for customers. They are measured at cost or net realisable value, whichever is lower.

h. Trade receivables and other receivables

Trade receivables and other receivables are measured at nominal value in the Balance Sheet less provision.

i. Cash and cash equivalents

Cash and cash equivalents according to the Balance Sheet comprise of cash balances.

j. Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Income tax assets and income tax liabilities are equalized when there is a legal right to do so, they relate to income tax imposed by the same authorities on the same Company or different Companies that are jointly taxed and are expected to pay taxes jointly.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

l. *Operating assets*

(i) Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of operating assets have different useful lives, then they are accounted for as separate items (major components) of operating assets.

Any gain or loss on disposal of an item of operating assets is recognised in profit or loss.

2. Basis of accounting

l. *Operating assets, contd.*

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Items of operating assets are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component unless other systematic method is considered appropriate. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative periods are

Monitoring equipment	3-5 years
Office equipment	3-5 years

Depreciation methods, lifetime and closing prices are reassessed on the settlement date and changed if applicable.

m. *Deferred income*

Deferred income, related to agreements with customers, amounted to USD 153.2 million at year end. This relates to prepayment of services reiceived by the Company primarily during the years 2020–2022 where proceeds were allocated solely for investment in operating asset, ensuring the Company´s ability to fulfill customer service requests. The deferred income is categorized into short-term and long-term debt, with an anticipation of recognizing revenues amounting to USD 30.6 million during 2024.

g. *Impairment*

Financial assets

A financial asset, not recognised at fair value, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Impairment loss on financial assets measured at amortised cost is the difference between, on the one hand, their carrying amount, and on the other hand, the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss on financial assets available for sale is determined on the basis of their fair value at each time. Individual significant financial assets are tested specifically for impairment. Other financial assets are classified together based on credit risk characteristics and each group is tested specifically for impairment.

An impairment loss is expensed in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment loss on investments held to maturity is reversed in the statement of comprehensive income.

Other assets

Carrying amount of other assets of the Group, except for inventories and tax asset, is reviewed at each reporting date to determine whether there are indications of impairment. If there is any such indication the recoverable amount of the asset is estimated. Goodwill is tested for impairment at least once a year.

The recoverable amount of an asset or a cash generating unit is the higher of their net fair value or value in use. Value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g. ***Impairment, contd.***

An impairment loss is expensed when the carrying amount of an asset or a cash generating unit is higher than its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of the goodwill and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis. An impairment loss is expensed in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

n. ***New financial reporting standards and interpretations not yet adopted***

A few new international reporting standards apply to accounting periods beginning on or after 1 January 2024 and early adoption is permitted. The Group has however not implemented new or changed reporting standards prior to adoption when these financial statements were prepared.

It is not expected that the following changes to standards and interpretations will have significant effect on the Group's financial statements.

3. Revenue

Revenues are specified as follows:

	2023	2022
Revenue from sunset devices	80.074.035	0
Per shipment revenue	64.829.187	108.131.869
Lost loggers revenue	21.927.257	10.697.457
Service revenue	9.411.668	10.845.305
Rental	7.541.776	3.695.690
Other revenue	1.106.358	95.901
Total revenue	184.890.281	133.466.222

4. Personnel expenses

Salaries and salary-related expenses are specified as follows:

Salaries	53.604.534	32.366.436
Salary-related expenses	9.262.672	5.926.289
Accrued vacation pay	1.713.636	957.011
Charge of stock options, see note 16	2.297.366	751.242
Capitalized salaries	(16.843.169)	(11.359.008)
Total salaries and other personnel expenses	50.035.039	28.641.970
Average number and full time equivalents during the year	506	381
Full time equivalents at the end of the year	545	428

Salaries of the CEO amounted to USD 391,000 for the year 2023 (2022: USD 252,000). Remuneration of the Board of directors amounted to USD 63,000 for the year 2023 (2022: USD 47,000).

Notes, contd.:

5. Depreciation

The depreciation charge in profit or loss is specified as follows:	2023	2022
Development cost	8.632.890	4.479.815
Other intangible assets	1.411.498	448.479
Operating assets	104.750.173	49.037.225
Lease assets	2.036.288	1.233.828
Depreciation total	116.830.849	55.199.347

6. Income tax

Income tax is specified as follows:

Profit before tax	(13.416.594)	6.780.729
Income tax according to current tax rate, 20%	2.683.319	(1.392.048)
Non-taxable income - tax relief Rannís	403.818	352.014
Non-deductible expenses - stock option agreements	(459.473)	(150.248)
Other changes	258.667	(133.221)
Income tax in the income statement	2.886.331	(1.323.503)
Effective tax rate	21,5%	19,5%

Deferred tax asset is specified as follows:

Deferred tax asset 1.1	4.212.587	5.529.614
Income tax recognised in income statement	2.924.911	(1.317.027)
Income tax due to equity movements	69.647	0
Deferred tax asset 31.12	7.207.145	4.212.587

Deferred tax asset is attributable to the following:

Intangible assets and operating assets	2.050.738	1.899.453
Lease assets	(1.739.289)	(1.849.721)
Lease liabilities	1.824.047	1.988.708
Account receivables	22.336	0
Deferred currency exchange difference	(116.759)	108.505
Tax-loss carry forwards	5.166.072	2.065.642
Deferred tax asset 31.12	7.207.145	4.212.587

Notes, contd.:

6. Income tax, contd.

The unequalised tax loss at the end of 2023, which may be carried forward according to tax law, amounts to USD 25.8 million. A deferred tax loss that is not used against profit within ten years of its formation is cancelled.

Transferable tax loss is usable as follows:	2023	2022
Taxable loss 2019, usuable until 2029	2.453.387	2.453.387
Taxable loss 2020, usuable until 2030	7.874.823	7.874.823
Taxable loss 2023, usuable until 2033	15.502.150	0
Total	25.830.360	10.328.210

7. Financial income and expenses

Financial income and expenses are specified as follows:

Interest income on cash and cash equivalents	303.647	38.165
Interest expense on loans and borrowings	(3.182.426)	(367.197)
Interest expenses on lease liabilities	(714.550)	(690.682)
Net currency exchange	(81.328)	7.603
Foreign Exchange Contract, fair value change	2.417.041	(2.539.590)
Total	(1.257.616)	(3.551.701)

8. Intangible assets

Development cost

The Company has worked on a development project regarding automated traceability. In the year 2012 the Company received confirmation from Rannís – The Icelandic Centre for Research, that the project was accepted as a development project according to Act no. 152/2009. With the confirmation the Company receives the right to a special reimbursement based on 25% (2022: 25%) of the cost directly attributable to the project. Development cost is specified as follows:

Balance at 1.1.	24.217.188	10.787.217
Capitalized wages and salary-related expenses	16.843.169	11.359.008
Capitalized other development costs	10.186.716	8.310.846
Calculated refund Rannís	(2.019.090)	(1.760.068)
Depreciation	(8.632.890)	(4.479.815)
Balance at 31.12.	40.595.093	24.217.188

The estimated reimbursement costs for the development project amounted to USD 2.0 m for the year 2023 (2022: USD 1.8 m).

Other intangible assets are trademarks and patents and are classified as follows:

Balance 1.1.	1.180.953	1.521.980
Additions	3.137.918	107.452
Depreciation	(1.411.498)	(448.479)
Balance at 31.12.	2.907.373	1.180.953
Depreciation ratios	25-30%	25-30%

Notes, contd.:

9. Operating assets

Specified as follows:

Cost	Lease assets	Monitoring equipment	Office equipment	Total
Carrying amount at 1.1.2023	11.301.667	273.359.620	5.468.356	290.129.643
Additions	0	51.177.305	1.354.531	52.531.836
Effect of revaluation of lease liabilities	1.484.129	0	0	1.484.129
Carrying amount at 31.12.2023	12.785.796	324.536.925	6.822.887	344.145.608
Depreciation				
Balance at 31.12.2022	2.053.062	66.792.525	2.148.471	70.994.058
Depreciation	2.036.288	25.387.255	1.725.004	29.148.547
Depreciation sunset devices	0	77.637.914	0	77.637.914
Balance at 31.12.2023	4.089.350	169.817.694	3.873.475	177.780.519
Carrying amounts				
Balance at 1.1.2022	7.388.024	77.807.995	2.977.148	88.173.167
Balance at 31.12.2022	9.248.605	206.567.094	3.319.885	219.135.583
Balance at 31.12.2023	8.696.446	154.719.231	2.949.412	166.365.088
Depreciation ratios	3-10%	25-30%	20-33%	

10. Shares in subsidiaries

The Company owns 100% shares in five subsidiaries and are specified as follows:

	2023	2022
Controlant Denmark ApS.	100%	100%
Controlant Inc,	100%	100%
Controlant Netherlands B.V	100%	100%
Controlant Poland Sp.z o.o	100%	100%
C-Loggers ehf.	100%	0%

11. Trade receivables

Trade receivables and other receivables are specified as follows:

Trade receivables	21.237.135	21.972.065
Allowance for impairments	(111.679)	0
Total trade receivables	21.125.456	21.972.065

12. Other receivables

Other receivables are specified as follows:

Prepaid investments in operating assets	0	40.000.000
Value added tax deposit	2.019.090	1.888.109
Other short term receivables	2.506.596	4.202.252
Total other receivables	4.525.686	46.090.361

13. Equity

Shares

The Company's share capital according to its Articles of Association amounts to ISK 665,503,648 in the end of 2023 and is divided into 160,279,867 A shares og 505,223,781 B shares. One vote is attached to each share in the Group. Class B shareholders shall be given priority for payments corresponding to their initial investment, see further in the Company's articles of association. The Company's share capital has been converted into USD in the Company's Balance Sheet.

Share premium

Share premium consists of excess value of sales price of share capital over nominal value. Acculated deficit can be set off againt share premium.

Capitalized development cost

The carrying amount of capitalized development costs is transferred from retained earnings to a restricted account among equity in accordance with the International Financial Reporting Standards.

Unrealized profits of subsidiaries

In accordance with International Financial Reporting Standards, the share of the results of subsidiaries in the income statement is transferred from retained earnings to a restricted account in equity to the extent that the share exceeds the dividends received from these companies or the dividends that have been decided to be distributed.

Translation difference

The translation difference consists of exchange rate differences that arise due to the translation of the financial statements of foreign subsidiaries into the functional currency of the parent ompany.

Capital structure policy

It is the policy of the Board of Directors to maintain a strong equity position to support the future development and growth of the Company. The Board of Directors plans to implement a formal equity policy in 2024 taking into consideration the long-term operations and future plans. The equity ratio was 25% at year-end 2023 compared to 12% at year-end 2022, but the large amount of deferred income skews this ratio considerably, and therefore must be considered when assessing the equity ratio.

14. Loans, borrowings and warrants

In July 2023, the Company entered into a USD 40,000,00 credit facility with a repayment period of 6 years. Prepayment is allowed after 31 December 2025, subject to a 2% prepayment fee.

The credit facility has quarterly interest payments in the range of 12-12.75%. The interest can be either, at the Company's discretion, (a) 12% interest rates or (b) a 6% interest rates with the remaining interest 6% + 0.75% PIK fee, or 6.75% added to notional. Interest rates are therefore in the range of 12-12.75%.

In relation to the credit facility, the Company issued penny warrants to the lender in conjunction with a USD 40 million credit facility issued in July 2023. The underlying option associated with these warrants has an approximate value of USD 7.5 million. The valuation of the option was determined using the Black-Scholes methodology. The total number of shares covered by these warrants is approximately 9.4 million shares. The strike price for these penny warrants is 1 ISK per share. The warrant can be exercised while the loan is unpaid.

Warrant Classification:

Warrants are freestanding financial instruments that can be legally detached from the underlying shares. Pursuant to the requirements of IAS 32 Financial Instruments: Presentation, the Company classifies these warrants as financial liabilities. The reason for this classification is that the exercise price of the warrants is denominated in ISK, while the Company's functional currency is USD.

14. Loans, borrowings and warrants, contd:

Accounting Treatment of warrant:

The outstanding warrants are recognized as warrant liabilities in the Consolidated Statement of Financial Position. Initially, their fair value is measured on the issuing date. Subsequently, at each reporting period, changes in fair value are recorded as a component of Change in Fair Value in the Consolidated Income Statement and other comprehensive income, following the guidelines of IFRS 13, Fair Value Measurement.

15. *Lease liability*

The Company leases office premises and warehouses. Lease liabilities are specified as follows:

	2023	2022
Carrying amount at 1.1.	9.943.542	7.806.537
New leases and effect of remeasurement of leases	1.711.406	3.094.780
Repayments	(2.534.715)	(957.775)
Total lease liabilities	9.120.233	9.943.542
Current maturities of non-current lease liabilities	(2.577.264)	(1.821.179)
Total non-current lease liabilities	6.542.969	8.122.363

Undiscounted leases liabilities are payable in the following years as follows:

Within 12 months	2.577.264	1.821.179
One to five years	5.925.760	6.992.398
More than five years	2.691.354	3.865.812
Total undiscounted lease liabilities	11.194.378	12.679.389
Unrealised interest expense	(2.074.144)	(2.735.847)
Net liabilities in leases	9.120.233	9.943.542

Almost all the leases are in ISK and connected to the consumer price index in Iceland.

16. Related parties

The Company's related parties are its directors, management, companies owned by the directors and its subsidiaries. Information regarding salaries is in note 4.

Stock option agreement

Agreements have been made with management, other employees and advisors with outstanding nominal value of 23.2 million shares in accordance with the Board authority in the Articles of Association. The average purchase price in the agreements is ISK 41.30 per share. The agreements are exercisable in the years 2023-2031. They will only be settled with delivery of shares against the agreed payment.

Risk management

17. Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operating risk

This note presents information on each of the above risks, objectives, policies and processes of the Group for measuring and managing risk.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and to monitor it. Risk management policies and systems are reviewed regularly.

18. Credit risk

Credit risk refers to the potential loss arising from the failure of counterparties (such as customers, suppliers, or financial institutions) to fulfill their contractual obligations.

Key revenue pillars for the Company are few, large but financially strong, customers and write-offs of accounts receivables based off credit risk have historically been immaterial.

Exposure to credit risk

The Group's maximum exposure to credit risk of financial assets is their carrying amount which at year-end was as follows:

		Carrying amount	
	Notes	**2023**	**2022**
Trade receivables	11	21.125.456	21.972.065
Other receivables	12	4.525.686	46.090.361
Cash and cash equivalents		45.475.147	10.626.792
		71.126.289	78.689.218

At year-end the Group's most significant customer account for USD 16.9 m of trade receivables (2022: USD 18.9 m).

Changes in allowance for impairment in respect of trade receivables during the year were as follows:

	2023	**2022**
Balance at 1 January	0	0
Changes during the year	(111.679)	0
Balance at 31 December	(111.679)	0

Impairment of trade receivables in 2023 will increase by USD 0.1 m.

19. Liquidity risk

Liquidity risk is the risk of being unable to meet short-term financial obligations due to insufficient cash or liquid assets. The Company currently operates with negative cash flow due to a recent decline in COVID-related revenues. Historically, these revenues have sustained the Company, but their declining trend requires active management. To offset this risk, the Company raised USD 80 million in 2023 in capital in the form of both debt and equity.

At of the end of 2023, the Company had USD 45 million in cash, which could last until the Company becomes cash flow positive. However the Company plans on maintaining current platform development speed, to secure its frontrunning status in the field, invest in innovation, and seize growth opportunities. However, this ambition introduces a delicate balance, as rapid expansion could strain liquidity if additional capital is not secured. Our goal of achieving positive cash flow by the end of 2025 underscores the strategic imperative of managing this liquidity risk effectively.

Contractual installments of liabilities, including expected interest payments, are specified as follows:

2023	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**2-5 years**	**Later**
Non-derivative financial liabilities:					
Loans and borrowings	33.091.976	73.863.563	2.486.175	11.799.203	59.578.186
Lease liabilities	9.120.234	11.194.378	2.577.264	5.925.760	2.691.354
Trade payables	5.218.711	5.218.711	5.218.711	0	0
Other payables	8.832.686	8.832.686	8.832.686	0	0
	56.263.607	99.109.338	19.114.836	17.724.963	62.269.540

2022					
Non-derivative financial liabilities:					
Lease liabilities	9.943.542	12.679.389	1.929.260	6.992.398	3.757.731
Trade payables	14.766.094	14.766.094	14.766.094	0	0
and other payables	6.208.746	6.208.746	6.208.746	0	0
	30.918.382	33.654.229	22.904.100	6.992.398	3.757.731

20. Market risk

Market risk is the risk that changes in market prices of foreign currencies and interests will affect the Group's financial position. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company regularly evaluates its currency-related risks, as a large portion of its costs are incurred in Icelandic Krona while most of its revenues are generated in USD and other major currencies. To mitigate this risk, the Company has utilized ISK/USD currency hedges.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
ISK / USD	0,0072	0,0074	0,0073	0,0070
EUR / USD	1,0809	1,0507	1,1050	1,0666
PLN / USD	0,2381	0,2243	0,2546	0,2279
DKK / USD	0,1451	0,1412	0,1483	0,1434

21. Operating risk

Operating risk is the risk of direct or indirect losses that could occur in many parts of the operations, work of employees, technology, organizational or external factors.
The Company aims at striking a balance between safeguarding against losses and fostering an innovative environment.

Operating risk applies to all parts of the operations. It's the Company's policy to manage operational risk as best as possible to minimize risk of financial losses and to protect the reputation of the Company, while still ensuring that the operating policies and procedures do not limit creativity and innovation of employees. To limit operational risk, the Company e.g. applies segregation of duties, performs regular risk assessments, systematically trains employees, applies and documents standard operating procedures and procures insurances as that applies.

It's worth mentioning that the Companys products are designed for a regulated industry. The products are validated to comply with FDA 21 CFR Part 11 and GMP Annex 11 compliance requirements.
The Controlant data loggers hold various certifications and country-specific approvals.

Risk assessment is conducted according to established standards, these include:
ISO 9001:2015: Quality management system standards.
ISO/IEC 27001:2013: Information security management system standards.
In addition, the Company undergoes annual SOC 2 Type 2 audit, which is a criteria for evaluating service organizations' controls related to security, availability, processing integrity, confidentiality, and privacy.

Non-financial reporting

Controlant hf. (the "Company") is a global leader in the digital transformation of pharma supply chains. Controlant's vision is to deliver zero-waste supply chains for our partners and the planet through digitalization, automation, and transformation of the pharma supply chain. Controlant was founded in 2007 and had average FTE of 506 employees representing 37 nationalities in 2023. With backing from a strong investor base, Controlant generated USD 185 million in revenues in 2023.

Controlant's validated real-time visibility platform, control tower, services, and advanced IoT devices, are trusted by leading pharmaceutical and logistics companies to make their operations significantly more reliable, cost-effective, and sustainable. Ultimately, Controlant's solutions help get life-saving medicines to more patients, curing more diseases.

Minimum safeguards, code of conduct and policies

Controlant's commitment to a robust governance framework, respect for human rights, adherence to social and labor standards, anti-corruption measures, promotion of fair competition, and commitment to responsible taxation across all its activities serves as the cornerstone of its efforts to ensure compliance with minimum safeguard requirements. Furthermore, these minimum safeguards are reinforced through established Company policies, a supplier code of conduct, mandatory employee training, and external audits conducted by Controlant's customers and ISO bodies. Additionally, Controlant adheres to Icelandic tax laws and labor law and regulations.

Controlant supports the Ten Principles of the United Nations Global Compact on human rights, labor, environment, and anti-corruption and is committed to making the UN Global Compact and its principles a part of the strategy, culture and day to day operations of the Company. Controlant became a participant to the UN Global Compact in 2022. Recognizing the ongoing importance of minimum safeguards standards, Controlant remains committed to prioritizing these areas in its future endeavors. The Company aims to prevent, detect, and address such activities within the organization to protect Controlant's reputation, values, and legal compliance – reflected in Controlant's policies such as Controlant's Anti-Bribery and Corruption Policy, Environmental Policy, Corporate Sustainability Policy, Health and Safety Policy, Procurement, Equality, Diversity, and Inclusion Policy, and Community Engagement Policy among others (available on Controlant.com and/or on request).

Controlant's code of conduct applies to all its employees as well as suppliers that provide services and support to Controlant. The code of conduct outlines commitment to fair, compliant, transparent, and sustainable business practices, and governance structure. Controlant strives to fulfill the spirit and not only the letter of laws and regulations of the countries in which it operates and expects nothing less from its partners.

Controlant conducts an annual corporate risk assessment, covering all organizational assets including sustainability and climate risk. Controlant has a three-stage risk management process (identification, assessment, response) to effectively address asset risks, including transitional and physical climate-related risk. In 2023, 136 corporate asset risks where identified, further assessed in a double heat map and mitigation steps put in place as deemed necessary by the Executive Team. During 2023 Controlant performed its first climate-related risk and opportunity assessment in line with the Task Force on Climate-Related Financial Disclosures (TCFD). Selected risk causes and opportunity triggers deemed most relevant for Controlant are summarized in the following table.

Identifier	Primary climate-related risk driver	Time horizon	Likelihood	Magnitude of impact		Likely potential financial impact
				1.5 °C scenario	2.5 °C scenario	
Current regulation (Transition risk)	ESG reporting mandate, Renewable Energy Certificates, EU Green Claims Directive, Iceland's Paris Agreement carbon reduction target	Short-term	Very likely	High	Low	Increased compliance costs and increased access to markets
Emerging regulation (Transition risk)	Carbon tax and Carbon Border Adjustment Mechanism regulation	Medium-term	Very likely	Medium	Medium	Increased operating/compliance costs
Technology (Transition risk)	Increased cost for material substitution to low emission options	Short- to Medium-term	Likely	High	Low	Increased operating costs and increased revenues
Market (Transition risk)	Consumer pressure for sustainability leadership rises while aluminum costs increase due to emission reduction pressures	Medium-term	Very likely	High	Medium	Increased operating costs and potential reduced profitability
Acute (Physical risk)	Rising temperatures, shifts in wind patterns, floods, earthquakes, and volcanic eruptions	Short- to Medium-term	Very likely	Low	Medium	Increased operating costs
Chronic (Physical risk)	Sustained high temperatures and sea level rise	Long-term	Likely	Low	High	Increased operating costs

Notes: Company information. Short-term <0-3 yrs, Medium-term 3-10 yrs, Long-term >10-30 yrs. Potential financial impact both positive and negative cannot be fully assessed and is likely to be integrated into Controlant's day-to-day operations. Mitigating actions are being assessed and will be used going forward to align with Controlant's business strategy to minimize negative effects and maximize opportunities, where possible.

Corporate social responsibility

In 2023, Controlant set a clear path towards corporate sustainability leadership aiming to balance environmental, social, and economic performance. Sustainability has become more integrated into the Company's daily business operations and interactions with stakeholders. Stakeholder engagement with Controlant's customers, employees, suppliers, investors and the communities in which it operates is key to improving performance and creating shared value. Controlant as part of the private sector and wider pharma ecosystem has the power to create solutions needed to address key challenges the world is facing.

Controlant places significant importance on how it addresses environmental, social, and governance topics in its operations, products, solutions beyond its own value chain and thereby creating a more sustainable future for the planet and patients. Controlant pioneer's continuous product innovation, driving a circular economy within global pharma supply chains. By eliminating waste in one of the world's most critical supply chains, Controlant is helping to shape the future of sustainable and responsible supply chains.

Controlant reports transparently on its sustainability journey, key milestones achieved and ESG performance metrics aligned with the Nasdaq ESG data reporting guide 2.0. Controlant reports its progress towards corporate sustainability leadership through the Communication on Progress (accessible on unglobalcompact.org), providing a transparent account of Controlant's corporate sustainability activities and impacts that are aligned with the Ten Principles and the UN Sustainable Development Goals (UN SDG). In 2023, Controlant participated for the first time in the UN SDG day, a united call for international cooperation to promote well-being and make the world a better place by 2030. Controlant has chosen to prioritize four of the UN SDGs. These goals are as follows:
Goal 9, which focuses on building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation.
Goal 3, which centers around ensuring healthy lives and promoting well-being for all individuals, regardless of age.
Goal 4, which aims to guarantee inclusive and equitable quality education, in addition to promoting lifelong learning opportunities for all.
Goal 13, which emphasizes the urgent need to take action against climate change and its impacts.

The importance of formal environmental, social, and governance (ESG) ratings is growing rapidly. Controlant's customers require their suppliers and partners to clearly demonstrate engagement and progress across the ESG spectrum. Recent ESG ratings by EcoVadis and CDP affirm Controlant's commitment and progress towards realizing its zero-waste vision for pharma supply chains, in line with its ambition to become a sustainability leader.

EcoVadis, one of the world's most trusted business sustainability ratings placed Controlant among the top 15% of rated companies for sustainability across industries, awarding the Company with a silver medal. As part of the assessment outcome, Controlant received an advanced rating in three sustainability criteria: environment, ethics, and sustainable procurement.

The Climate Disclosure Project (CDP), a global non-profit that runs the world's leading environmental disclosure platform rated Controlant B- for its coordinated action on climate issues. The Company's scores are particularly strong in areas of renewable energy, climate-related risk management processes, carbon emission verifications, and value chain engagement. In addition, Controlant has also received a B rating in its CDP Supplier Engagement Rating, which measured Controlant's performance on governance, targets, Scope 3 emissions, and value chain engagement. The following table reflects Controlant's ESG rating journey.

	2023	2022
CDP Climate	B-	-
CDP Supplier Engagement	B	-
EcoVadis	Silver	Bronze

Non-financial reporting, contd.:

Environmental responsibility

During 2023, Controlant opened new offices in Iceland and Denmark, expanding the Company's footprint. Despite this growth, Controlant has remained committed to environmental responsibility and sustainable practices. This includes a commitment towards accurate reporting of greenhouse gas (GHG) emissions, crucial to reducing the Company's environmental impact. Controlant followed through its climate action plan as published in January 2023 with a focus on (i) establishing a GHG baseline no later than 2023; (ii) setting a science-based target no later than 2024; and (iii) reporting its sustainability information on an annual basis. The Company made substantial progress by engaging with its employees and suppliers, defining key levers as part of a long-term decarbonization path.

In May 2023 Controlant had its science-based target validated and published by the Science Based Target initiative (SBTi). Validation of Controlant's science-based target marked an essential milestone on the Company's sustainability journey, demonstrating commitment to the environment and to stakeholders. Controlant commits to reducing absolute scope 1 and scope 2 greenhouse gas emissions by 42% by 2030 from a 2022 base-year. Controlant committed to measuring and reducing its scope 3 emissions. The Company's near-term target reflects the level of decarbonization required to keep global temperature increase to 1.5°C. Controlant supports Iceland's climate action plan to meet the Paris Climate Agreement's obligations and achieve the ambitious goal of carbon neutrality in Iceland by 2040.

Controlant achieved a threefold decrease in emissions year-on-year, a 68% decrease from 2022. This was driven primarily by scope 3 reductions in category 1 purchased goods and services. Driven by internal measures around optimizing the Company's logger inventory management and optimizing logger utilization. Substantial emission reductions were achieved by transitioning from airfreight to ship for upstream transportation in category 4. Despite the expansion of Controlant´s operations, including the addition of two office locations in Denmark and Iceland, as well as including category 9 as a new category into reported scope 3 emissions, significant progress has been made in emission reduction efforts.

To enhance Controlant's environmental stewardship, the Company has established a robust carbon accounting system mirroring our financial reporting approach. This system facilitates the measurement of scope 1, 2, and 3 emissions in accordance with the greenhouse gas (GHG) protocol. Moreover, conducting a comprehensive Life Cycle Assessment (LCA) has provided valuable insights into the environmental impacts of our products across their entire life cycle.

Social responsibility

All employees of Controlant are employed in compliance with applicable labor laws and practices. Controlant does not use any forced labor or child labor in its operations. Controlant respects all rights of employees, including the right to associate freely, join or not join labor unions. Almost all of Controlant's employees are covered under a collective bargaining agreement (2023: 95%). Employees can communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment. Controlant provides its employees with a healthy working environment, all in compliance with applicable laws and regulations regarding the workplace. Discrimination of any kind is not tolerated.

Controlant aspires to become one of the best places to work for the most talented people. Controlant is proud to be certified as an equal-pay employer in Iceland. The Company's culture is built around creating the best possible work environment for its employees. Valuing equality, diversity, and inclusion in the workplace where its people feel safe, supported, and included. Controlant is committed to creating an inclusive and equitable workplace environment where everyone is treated with respect and dignity. Controlant is committed to creating a culture of inclusion; 40% of people leaders' positions are held by women.

A motivated and engaged workforce is crucial for Controlant to deliver on its Company goals. The annual employee engagement survey is an important tool on that journey, providing comprehensive insights into the well-being and engagement of team. The 2023 survey, conducted in October 2023 resulted in an overall satisfaction score of 4.2 out of 5, which reflects Controlant's efforts to be an employer of choice.

Non-financial reporting, contd.:

Throughout the year, Controlant has actively participated in various organizations and initiatives aimed at supporting and giving back to the communities where it operates in line with the Company's community and engagement policy. By collaborating with local causes and initiatives, Controlant aims to contribute positively to the communities it serves. In 2023, Controlant entered into a three-year partnership agreement with UNICEF, focusing on life-saving child immunizations, supporting UNICEF's critical work in promoting children's welfare and health.

In another impactful collaboration, Controlant has partnered with Employment Horizons to offer employment opportunities to individuals with special needs through its service center in New Jersey. Controlant actively participated in the agency's annual recognition dinner in October, raising awareness and funds to further support their mission of empowering individuals with disabilities to secure and excel in jobs of their choice.

During 2023, Controlant has engaged with over 300 students from various universities, schools, and student associations. Controlant's origins trace back to the University of Iceland, where the Company's founders first met, sparking the ideas that have propelled Controlant in becoming a global leader in real-time visibility solutions for pharmaceutical companies and logistics providers.

Controlant's core values

Creativity	We believe in fostering creativity and innovation.
Transparency	We believe in transparency in our work and with our customers.
Excellence	We believe in high quality and seeing the standard for excellence.
Fun	We believe in making work enjoyable; it keeps us coming back.

Corporate Governance Statement

Controlant hf. ("Controlant" or the "Company") is a public limited Company (non-listed) incorporated in Iceland, with its head office in Kópavogur, Iceland. The Company recognizes the importance of good governance in creating long-term value for all stakeholders, including shareholders, employees, customers, and the community. The following statement is made in accordance with Article 66 (c) of the Icelandic Financial Statements Act no 3/2006 and outlines the Company's approach towards corporate governance.

The Company adheres to all relevant laws and regulations in Iceland, including Act no. 2/1995 on Public Limited Companies. The Company´s operations are guided by its Articles of Association alongside internal policies and procedures. The Company's Board of Directors has adopted Rules of Procedures, aligning with the guidelines on corporate governance, 6th edition, published by the Iceland Chamber of Commerce, SA Confederation of Icelandic Enterprise and Nasdaq in 2021 and available on the Iceland Chamber of Commerce website. The Company ensures compliance with these guidelines across all significant aspects, with the exception being the Board´s current decision not to establish any sub-committees. Additionally, a nomination committee has not been formed.

The current remuneration policy for Controlant was approved by the Annual General Meeting on 16 June 2023. The policy applies to the remuneration of the members of the Board of Directors, the CEO and the executive team of the Company.

The Company´s rules of procedure for the Board of Directors, Articles of Association, and the Company´s remuneration policy are accessible on the Company's website at https://www.controlant.com/corporate-governance.

Board of Directors

The Board of Directors holds ultimate authority over Company matters between shareholder meetings, operating in accordance with Icelandic laws and regulations, the Company's Articles of Association and the Rules of Procedure adopted by the Board. The Board is elected by shareholders at each Annual General Meeting and consists of five Board members. The Board is generally elected for the term of one year but, according to the Company's Articles of Association, a shareholder meeting may decide, at the meeting where board election takes place, that the term of office of the Board or of individual Board members will be different or split, given that a proposal is brought before the meeting, in relation to the election of the Board of Directors.

According to Icelandic law, the Board of Directors allocates responsibilities between its members. The Board of Directors elects a Chairman and Vice-Chairman and is responsible for the Company's organization, for setting the long-term objectives and strategy, and for ensuring the proper conduct of its operations. The Board of Directors has the authority to make decisions on all significant matters in accordance with the statutory division of responsibilities among the Board of Directors, the CEO, and the Executive Team. To achieve these objectives, the Board of Directors sets strategic goals and targets, and closely evaluates the performance of the CEO and the Executive Team. To achieve these objectives, the Board of Directors sets strategic goals and targets, and closely evaluates the performance of the CEO and the Executive Team. In 2023, the Board didn't conduct its planned performance assessment due to shifting priorities. However, it remains committed to improving governance and plans to undertake an assessment in 2024. In 2023, the Board didn't conduct its planned performance assessment due to shifting priorities. However, the Board remains committed to improving governance and plans to undertake an assessment in 2024.

The Board of Directors visits Company locations in Iceland and abroad on regular basis and meets with customers and investors to the extent required. Decisions of the Board of Directors are decided by a majority of votes. In the event of a tied vote, the Chairman has the casting vote, and in his or her absence the Vice-Chairman.

The Board of Directors was elected at the Company's Annual General Meeting on 16 June 2023 and consists of Ásthildur Otharsdóttir, Kristín Friðgeirsdóttir, Trausti Þórmundsson and Steve Van Kuiken, all of whom were elected for a full term. The meeting also elected Jørgen Rugholm, with term until 31 December 2023 (split term) and Søren Skou with term from 1 January 2024 (split term).

The Board of Directors comprises three men and two women, thereby ensuring the Company´s compliance with the gender ratio provisions outlined in the Act on Public Limited Companies from 1 September 2013. The Company´s Board members possess diverse educational background and extensive business experience and are all considered independent of the Company and its major shareholders.

Corporate Governance Statement, contd.:

Ásthildur Otharsdóttir (56), Chairman of the Board of Directors until 31 December 2023, from that point onward, Vice-Chairman.

Ásthildur holds an MBA degree from Rotterdam School of Management in the Netherlands as well as a Bachelor of Business Administration degree from the University of Iceland. Ásthildur is a partner and investment manager at Frumtak Ventures and a Board member in various portfolio companies in the Frumtak portfolio, including the Chairman of the Board of Kaptio, Treble Technologies and Empower, as well as a board member of Business Iceland. Frumtak Ventures, where Ásthildur is a partner and investment manager, is a shareholder of Frumtak 2 slhf. which holds 52,364,000 shares in the Company.

Ásthildur has been a Director of the Board of the Company since 2021 and is considered independent of the Company and its major shareholders. Ásthildur has no ties with the Company´s main customers or competitors.

Søren Skou (59), Chairman of the Board from 1 January 2024.

Søren holds an MBA with honors from IMD, Lausanne Switzerland and a graduate diploma in marketing from Copenhagen Business School. He is Vice Chairman of the telecommunications equipment maker Nokia OY and Chairman of The Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping. Previously he was the CEO of A. P. Møller Mærsk, where he had a career in shipping and logistics spanning almost 40 years. Søren is a globally recognized leader in Shipping and Logistics. Søren holds 1,428,571 shares in the Company through his Company, Mithel Invest ApS.

Søren has been a director of the Board of the Company since 1 January 2024 and is considered independent of the Company and its major shareholders. Søren has no ties with the Company´s main customers or competitors.

Trausti Þórmundsson (52), member of the Board of Directors

Trausti holds a M.Sc. degree in Electrical Engineering from the University of Iceland and a B.Sc. degree in Electrical Engineering from Stanford University. Trausti is a technology leader with 20+ years' of progressive experience in R&D in voice processing, audio processing and digital communication, currently working full time as a Hardware Engineer at Google. Trausti holds 9,228,300 shares in the Company through direct ownership.

Trausti is a co-founder of the Company and has been a director of the board since 2007. He is considered independent of the Company and its major shareholders and has no ties with the Company´s main customers or competitors.

Kristín Friðgeirsdóttir (52), member of the Board of Directors

Kristín holds a B.Sc. degree in Mechanical and Industrial Engineering from the University of Iceland, M.Sc degree in Financial Engineering and PhD in Philosophy from Stanford University. In 2023 Kristín held the position of CFO of Sýn hf. and has previously worked as an Adjunct Professor at London Business School as well as an independent management consultant. Kristín is the former Chairman of the Board of Hagar hf., former vice Chairman of the Board of TM hf. and Kvika banki hf. as well as being a former Board member of Distica hf. and Eik hf. Kristín owns 50% shares in Bolmagn ehf. which holds 416,600 shares in the Company.

Kristín has been a director of the Board of the Company since 2020 and is considered independent of the Company and its major shareholders. Kristín has no ties with the Company´s main customers or competitors.

Jørgen Rugholm (60), member of the Board of Directors until 31 December 2023

Jørgen holds an M.Sc. in Economics from the University of Copenhagen and M.A. degree in Economics from the European University Institute. Jørgen is an independent advisor, investor and a Board member of multiple companies, including 22. November 2021 ApS, The Fiddlery ApS, Bactolife ApS, ADVANTAGE Investment Partners A/S, Cabris ApS, Fyryre Consumer Invest ApS, RUFR INVESR 1 K/S and OLIOLI Holding ApS. Previously, Jørgen was a Senior Partner Emeritus at McKinsey & Company, Inc. for over 28 years. Jørgen holds 6,535,100 shares in the Company through his Company, Future Consumer Invest Aps.

Jørgen has been a director of the Board of the Company since 2021 and is considered independent of the Company and its major shareholders. Jørgen has no ties with the Company´s main customers or competitors.

Corporate Governance Statement, contd.:

Steve Van Kuiken (61), member of the Board of Directors

Steve recently retired as a Senior Partner from McKinsey & Company. Over his long career at McKinsey, he founded and led the firm's healthcare technology practice and later founded and built their technology transformation practice, McKinsey Technology, a fast-growing $2B global business. He was also a long-time leader in the Life Sciences practice, serving large, global pharmaceutical and medical product organizations. Prior to McKinsey, Steve was Vice-President of IT at Baxter Healthcare and Senior Manager at Andersen Consulting. He has a B.A. in Economics and History from Hope
Steve has been a director of the Board of the Company since 16 June 2023 and is considered independent of the Company and its major shareholders. Steve has no ties with the Company´s main customers or competitors.

The Board of Directors convened 15 times in 2023, with full attendance in all meeting except one, where one board member was absent.

Executive Team of the Company

The senior management structure of the Company consists of the Board of Directors and the Executive Team, led by the CEO. The two bodies are separate, and no person serves as a member of both.

Chief Executive Officer

Gísli Herjólfsson, (45) has been the CEO since he co-founded the Company in 2007. Gísli is an Icelandic citizen, born in 1979. He has a master's degree in electrical engineering from the University of Iceland. Gísli is a member of the board of directors of several subsidiaries of the Company but does not hold any external directorships. As of 31 December 2022, Gísli holds 24,360,900 shares in the Company through his holding Company HB6 ehf. and an option to purchase up to 875,000 A-shares.

The CEO is responsible for overseeing the daily operations of the Company and ensuring that they align with the policies and instructions set by the Board of Directors. The CEO is responsible for evaluating the performance of the Executive Team. To fulfill these responsibilities, the CEO conducts evaluations and discussions with each member of the Executive Team at least once a year. Furthermore, the CEO is accountable for ensuring that the Company's financial accounts comply with applicable laws and for ensuring safe and secure management of the Company's assets.

Executive Team

The Executive Team consist of the following six members, each with clear task allocation and accountability:

- Gísli Herjólfsson, Co-Founder, Chief Executive Officer (CEO)
- Erlingur Brynjúlfsson, Co-Founder, Chief Strategy Officer (CSO)
- Guðmundur Árnason, Chief Financial Officer (CFO)
- Anna Karlsdóttir, Chief Quality Officer (CQO)
- Carsten Lutzhøft, Chief Product Officer (CPO)
- Wade Munsie, Chief Technology Officer (CTO)

Further information on the Companies Executive Team are accessible on the Company´s website https://www.controlant.com/leadership-team

Internal controls and risk management

The Company's objective is to ensure that internal controls and risk management processes are effective and efficient. Internal control and risk management are essential in protecting the Company's assets, ensuring accurate financial reporting and achieving our strategic goals. The Company's Board of Directors maintains a dialogue with the Company's Chief Executive Officer (CEO) to identify, describe, and manage the financial business risks to which the Company might be exposed. Significant financial risks are outlined in the notes of the 2023 consolidated financial statements.

To ensure that the Company's accounting is applied in accordance with international accounting standards the Company emphasizes well defined responsibilities, normal job segregation along with monthly reporting and transparent operations. Standard operating procedures and work instructions are in place to ensure monitoring of correct revenue reconciliation and operating cost. Risk management is reviewed and assessed on an annual basis with the Company's Quality team and VP of Finance with the purpose of minimizing risks and creating a reaction. All employees of the Company are obligated to complete training regarding their operating procedures and general work rules for the Company.

Monthly reporting is submitted to the Board of Directors for their review.

Internal controls and financial risk management

The Chief Financial Officer (CFO) is responsible for ensuring that the Company's financial processes are followed and that reporting is transparent, accurate, and compliant with applicable accounting standards, laws and regulations. The CFO reports to the CEO.

External audit

An independent auditing firm is appointed annually at the Annual General Meeting (AGM). The external auditor examines the consolidated financial statements in accordance with generally recognized auditing standards (IFRS, International Financial Reporting Standards) and inspects accounting records and other materials relating to the Company's operation and financial position and expresses an opinion on the financial statements. The external auditor reports any significant findings on accounting matters and internal control deficiencies to the Board of Directors.

KPMG ehf. was elected as auditor of the Company at the AGM held on 16 June 2023. KPMG has audited and endorsed the Company's 2023 consolidated financial statements.

Diversity

The Company's vision is to unleash the power of people and technology to deliver zero-waste supply chains for our partners and the planet. To realize our vision and create long-term sustainable value for all our stakeholders, we need a diverse and engaged team that upholds and honors respect, diversity, equality, and inclusion. The best way to ensure this is to build up and maintain a diverse and inclusive culture, where all people feel valued and are treated with respect, dignity, and fairness. The Company has established policies and principles related to equality, diversity, and inclusion, including equal opportunity and equal pay. Our policy ensures equal opportunities, fair advancement, remuneration and gender equality, emphasizing the importance of treating all with dignity and respect regardless of gender, race, ancestry, ethnic origin, color, religion, marital status, sexual orientation, age, physical or mental disability, pregnancy or childbirth. All harassment, violence, and bullying are strictly prohibited. The policy is prepared in accordance with Icelandic Act No. 150/2020 on the Equal Position and Equal Rights of Women and Men. Controlant is certified as equal-pay employer in Iceland.

The Board of the Company follows the provisions on gender equality set out in the Icelandic Companies Act No. 2/1995 and gender diversity within the Board of Directors remains stable at 40%.

Gender diversity (female/male ratio)	**2023**	**2022**	**2021**
Board of Directors	40/60	40/60	40/60
Executive Team	38/62	43/57	50/50
Overall Organization	42/58	41/59	40/60

Communication between shareholders and the Board of Directors

Shareholder meetings, as governed by the Company's Articles of Association and statutory law, serve as the highest authority within the Company and form the primary means of communication between shareholders and the Board of Directors. The annual AGM shall, in accordance with the Articles of Association, be held before the end of August each year, and other shareholder meetings are convened as deemed necessary.

Shareholder meetings, including the AGM, shall, in accordance with the Articles of Association, be called by electronic means with notice to the shareholders. The AGM is called no less than 14 days in advance and extraordinary meetings no less than 7 days in advance. The Chairman is the authorized spokesperson of the Board of Directors. The Board of Directors does not ordinarily engage in communication regarding the details of the Company's operational matters and financial results, which is the responsibility of the Executive Team.

Compliance with laws and regulations

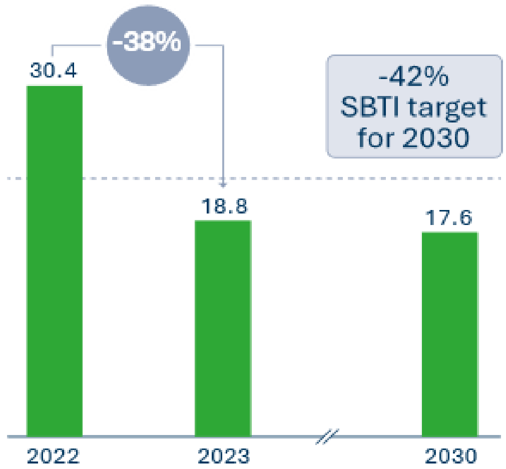
The Company has not been found in breach of any laws or regulations and has no ongoing legal disputes.

The Board of Directors annually reviews and approves the Corporate Governance Statement. This Corporate Governance Statement was examined and approved at a meeting of the Board of Directors on the 18 April 2024.

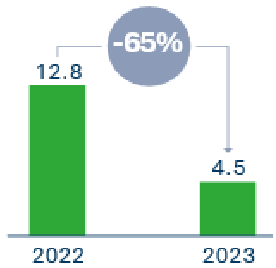
Controlant's Sustainability Highlights 2023

Controlant has reduced **Scope 1+2** emissions in 2023 by 38%

Controlant has reduced emissions in 2023 by 38%, which means it is on track to meet its 2030 science-based target.



Controlant has reduced **Scope 3** emissions in 2023 by 65%



Scope 1 and 2 absolute emission reduction	Measure and reduce scope 3 emissions	Carbon intensity to revenue lowered by	Share of renewable energy
38%	**65%**	**4.4x**	**87%**

Controlant – what we achieved

22-74
Age range

17
Average training hours

>90%
Recyclability rate

89%
Renewable energy

renewable energy

2
Lifecycle assesments

37
Nationalities

4.2/5
Overall employee atisfaction score

EcoVadis and CDP Climate rated
CDP Climate reted

42%
Female representation among total workforce

3
Minor injuries

Partnerships – Unicef, Red Cross, Employee well-being program launched

ISO 9001, ISO 27001, SOC 2 and Equal Pay certifications

NASDAQ ESG Indicator

Nasdaq ESG indicator		Unit	2023	2022
Environmental indicators				
E1.	**Total GHG Emissions**	tonnes CO_2 eq	**4,075.0**	**12,825.4**
E1.1	Total amount, in CO2 equivalents, for Scope 1	tonnes CO_2 eq	0.6	0.1
E1.2	Total amount, in CO2 equivalents, for Scope 2 (location-based)	tonnes CO_2 eq	-	30.3
E1.2	Total amount, in CO2 equivalents, for Scope 2 (market-based)	tonnes CO_2 eq	18.2	-
E1.3	Total amount, in CO2 equivalents, for Scope 3	tonnes CO_2 eq	4,056.2	12,795.0
	of which is Cat. 1 - purchased goods & services	tonnes CO_2 eq	2,881.5	9,710.6
	of which is Cat. 2 - capital goods	tonnes CO_2 eq	3.1	13.9
	of which is Cat. 3 - fuel and energy-related activities	tonnes CO_2 eq	7.9	7.3
	of which is Cat. 4 - upstream transportation	tonnes CO_2 eq	14.0	2,409.0
	of which is Cat. 5 - waste generated in operations	tonnes CO_2 eq	16.0	16.4
	of which is Cat. 6 - business travel	tonnes CO_2 eq	670.8	346.3
	of which is Cat. 7 - employee commuting	tonnes CO_2 eq	299.6	251.5
	of which is Cat. 8 - upstream leased assets	tonnes CO_2 eq	40.6	40.1
	of which is Cat. 9 - downstream transportation and distribution	tonnes CO_2 eq	122.9	-
E2.	**Emissions Intensity**			
E2.1	Total GhG emissions relative to revenues	tonnes CO_2 eq per USD 1m revenues	22.0	96.1
E2.2	Total GhG emissions relative to employees	tonnes CO_2 eq per FTE	7.2	30.0
E2.3	Total GhG emissions relative to square meters	kg CO_2 eq per m²	446.1	1,726.9
E3.	**Energy Consumption**			
E3.1	Total amount of energy directly consumed	MWh	1,968.5	1,786.3
E3.2	Total amount of energy indirectly consumed	1,000 tonnes	-	-
E4.	**Energy Intensity**			
E4.1	Total direct energy usage per output scaling factor	MWh per USD 1m revenues	10.6	13.4
E5.	**Energy Mix**			
E5.1	Percentage: Electricity usage by generation type	% of renewable electricity	88.7	86.6
E5.2	Percentage: Energy usage by generation type	% of renewable energy	86.9	89.2
E6.	**Water Usage**			
E6.1	Total amount of water consumed	1,000 m³	-	-
E7.	**Environmental Operations**			
E7.1	Does your company follow a formal Environmental Policy?	Yes/No	Yes	Yes
E7.2	Does your company follow specific waste, water, energy, and/or recycling polices?	Yes/No	Yes	Yes
E7.3	Does your company use a recognized energy management system?	Yes/No	No	No
E8.	**Climate Oversight / Board**			
	Does your Board of Directors oversee and/or manage climate-related risks?	Yes/No	Yes	Yes
E9.	**Climate Oversight / Management**			
	Does your Senior Management Team oversee and/or manage climate-related risks?	Yes/No	Yes	Yes
E10.	**Climate Risk Mitigation**			
	Total amount invested in climate-related product development	% of revenue	11%	18%
Social indicators				
S1.	**CEO Pay Ratio**			
S1.1	CEO total compensation to monthly median FTE total compensation	%	4.7x	3.2x
S1.2	Does your company report this metric in regulatory filings?	Yes/No	No	No
S2.	**Gender Pay Ratio**			
	Median female compensation to median male compensation (Iceland only, conducted mid-year)	Ratio	-	0.99
S3.	**Employee Turnover**			
S3.1	Year-over-year change for full-time employees	%	32	25
S3.2	Voluntary turnover ratio	%	12	11
S4.	**Gender Diversity**			
S4.1	Total enterprise headcount held by women and men	%	42/58	41/59
S4.2	Executive-level positions held by women and men	%	38/62	43/57
S4.3	Senior leadership (SVP, VP) positions held be women and men	%	44/56	43/57
S4.4	People leaders (Managers) positions held by women and men	%	40/60	37/63
S5.	**Temporary Worker Ratio**			
S5.1	Total enterprise headcount held by part-time employees	%	0.8	0.8
S5.2	Total contingent workers	%	0.9	0
S6.	**Non-Discrimination**			
	Does your company follow a sexual harassment and/or non-discrimination policy?	Yes/No	Yes	Yes
S7.	**Injury Rate**			
	Frequency of injury events relative to total workforce time	TRIR	0.9	-
S8.	**Global Health & Safety**			
	Does your company follow an occupational health and/or global health & safety policy?	Yes/No	Yes	Yes
S9.	**Child & Forced Labor**			
S9.1	Does your company follow a child and/or forced labor policy?	Yes/No	Yes	Yes
S9.2	If yes, does your child and/or forced labor policy cover suppliers and vendors?	Yes/No	Yes	Yes
S10.	**Human Rights**			
S10.1	Does your company follow a human rights policy?	Yes/No	Yes	Yes
S10.2	If yes, does your human rights policy cover suppliers and vendors?	Yes/No	Yes	Yes
Corporate governance indicators				
G1.	**Board Diversity**			
G1.1	Total board seats occupied by women and men	%	40/60	40/60
G1.2	Committee chairs occupied by women and men	%	-	-
G2.	**Board Independence**			
G2.1	Does company prohibit CEO from serving as board chair?	Yes/No	Yes	Yes
G2.2	Total board seats occupied by independents	%	100%	100%
G3.	**Incentivized Pay**			
	Are executives formally incentivized to perform on sustainability?	Yes/No	No	No
G4.	**Collective Bargaining**			
	Total enterprise headcount covered by collective bargaining agreement(s)	%	95%	83%
G5.	**Supplier Code of Conduct**			
G5.1	Are your vendors or suppliers required to follow a Code of Conduct?	Yes/No	Yes	Yes
G5.2	If yes, what percentage of your suppliers have formally certified their compliance with the code?	%	-	-
G6.	**Ethics & Anti-Corruption**			
G6.1	Does your company follow an Ethics and/or Anti-Corruption policy?	Yes/No	Yes	Yes
G6.2	If yes, what percentage of your workforce has formally certified its compliance with the policy?	%	76%	-
G7.	**Data Privacy**			
G7.1	Does your company follow a Data Privacy policy?	Yes/No	Yes	Yes
G7.2	Has your company taken steps to comply with GDPR rules?	Yes/No	Yes	Yes
G8.	**ESG Reporting**			
G8.1	Does your company publish a sustainability report?	Yes/No	No	No
G8.2	Is sustainability data included in your regulatory filings?	Yes/No	Yes	Yes
G9.	**Disclosure Practices**			
G9.1	Does your company provide sustainability data to sustainability reporting frameworks?	Yes/No	Yes	Yes
G9.2	Does your company focus on specific UN Sustainable Development Goals?	Yes/No	Yes: 3, 4, 9, 13	Yes: 3, 4, 9, 13
G9.3	Does your company set targets and report progress on the UN SDGs?	Yes/No	Yes	Yes
G10.	**External Assurance**			
G10.1	Are your sustainability disclosures assured or validated by a third party?	Yes/No	No	No

EU Taxonomy

This is the first EU Taxonomy disclosure by Controlant. The EU Taxonomy is a classification system to identify environmentally sustainable economic activities. Environmentally sustainable economic activities are described as those which "make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards."

In accordance with Article 8 of Regulation 2020/852 of the European Parliament and the Council, as well as Delegated Regulation 2021/2178 of the European Commission, Controlant reports its contribution to the European Union's environmental objectives related to climate change mitigation and climate change adaptation.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation and uncertainties. Starting from 2023, Controlant reports the shares of revenue, capital expenditure (capex), and operating expenditure (opex) that are aligned with the taxonomy, in addition to the shares that are eligible under the taxonomy.

Controlant applied the precautionary principle to determine applicable eligible activities and excluded activities not yet clearly defined in the EU Taxonomy. Controlant's reporting approach will be reviewed during 2024 and expand accordingly, which may impact the taxonomy KPIs reported for 2023.

Controlant's process for determining taxonomy eligible activities (the nominator of the taxonomy KPIs) has followed the following approach:

Defining the eligible activities and assessing for taxonomy alignment

Taxonomy-eligible economic activities are considered environmentally sustainable and aligned if they significantly contribute to one of the six EU environmental objectives, without causing significant harm to other environmental objectives known as the do-no-significant-harm criteria.

A company's economic activity must contribute to at least one of the environmental objectives to be considered sustainable.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Controlant performed the eligibility assessment against two environmental objectives: climate change mitigation, and circular economy. Controlant's taxonomy-eligible activities are not yet covered by the other four environmental objectives. Controlant's taxonomy eligible economic activities have been examined to determine whether they meet the technical requirements of the taxonomy, as summarized in the following table.

EU Taxonomy, contd.:

Controlant's Taxonomy-eligible activities

NACE	Sector	Activity Number	Contribution Type	Description	Substantial contribution assessment
J62, J63.11	Information and communication	8.2	Enabling	Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions. The economic activity covers computer programming, consultancy and related activities and data processing, hosting, and related activities.	Controlant's solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions for its customers, fully in line with Controlant's zero-waste vision. Controlant's solution demonstrates substantial life cycle GHG emission savings compared to the best performing alternative solution. In 2023 Controlant conducted an internal life-cycle assessment on the Saga Logger according to ISO14040 and 14044 standards, assessing a range of environmental impacts, from Global Warming Potential to Terrestrial Ecotoxicity, ensuring a holistic assessment. While not third party verified Controlant utilized the third-party ISO-standard modelling tool Ecochain and the Ecoinvent database to ensure data accuracy and credibility in its calculations. Controlant's product environmental report for the Saga Logger is publicly assessable.
C27	Services	5.5	Enabling	Product-as-a-service and other circular use- and result-oriented service models. Providing customers with access to products through service models, which are either use-oriented services, where the product is still central, but its ownership remains with the provider and the product is rented; or result-oriented, where the payment is pre-defined and the agreed result (i.e., pay per service unit) is delivered. The economic activity covers products that are manufactured by economic activities classified under the NACE codes C27 Manufacture of electrical equipment.	Controlant's cold chain as a service model enables a circular economy. Controlant provides its customers with access to, and use of products (platform, service, and applications), while the ownership remains with Controlant providing this service. The contractual terms and conditions ensure that all the following sub-criteria are met: there is an obligation for Controlant to take back the used product at the end of the contractual agreement; there is an obligation for the customer to give back the used product at the end of the contractual agreement; Controlant remains owner of the product; the customer pays for access to and use of the product, or the result of access to and use of this product. Furthermore, the activity leads to an extended lifespan or increased use intensity of the product in practice.

EU Taxonomy, contd.:

Classifying for no significant harm and meeting minimum safeguards

Moreover, Controlant assessed that its economic activity does ´no significant harm´ (DNSH) to the remaining environmental objectives.

Controlant adheres to the necessary frameworks for minimum safeguards, encompassing respect for human rights, social and labor standards, anticorruption measures, fair competition, and taxation across all activities. Controlant supports the Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture, and day-to-day operation of our company. Controlant's governance framework and aligned global processes ensure that Controlant upholds and meets the requirements under the minimum safeguards.

Based on Controlant's assessment, the company's economic activities qualify as environmentally sustainable:
• Making a substantial contribution to at least one environmental objective (climate mitigation and circular economy)
• Doing no significant harm to any of the other five environmental objectives;
• Complying with minimum safeguards; and,
• Complying with the technical screening criteria in the Taxonomy delegated acts.

Taxonomy KPI reporting

Controlant is disclosing the proportion of its turnover, capital and operating expenditures (CapEx and OpEx) for the combined economic activities that is taxonomy-eligible and taxonomy-aligned to avoid double counting.

The taxonomy KPIs have been calculated as follows:
• taxonomy revenue KPI = Eligible revenue/Total revenue
• taxonomy CAPEX KPI (additions) = Eligible CAPEX/Total CAPEX
• taxonomy OPEX KPI = Eligible OPEX/Total OPEX

Explanatory note

Reporting principles

Transparency is one of Controlant's core values;2023 marks the first time we are taking steps towards measuring and externally reporting our ESG data. We aim to give a fair representation of Controlant's sustainability activities and progress made by following best-practice guidelines and internationally recognized ESG reporting standards, such as the Greenhouse Gas Protocol (GHG Protocol, an international environmental accounting standard) and frameworks such as the UN Global Compact. Where applicable, the data is referenced to Nasdaq's ESG Reporting Guide 2.0. Our ESG reporting will reflect Controlant's ESG maturity profile and the company's financial calendar year, which is January until December. Over time, we expect our ESG reporting to become more granular, robust, and limited assured. This will support steering Controlant towards sustainability leadership with impact beyond its value chain, enabling its customers and suppliers to execute their climate commitments and meet Controlant's shareholder disclosure requirements.

Operational control approach

Controlant's environmental information is prepared using operational control methodology. The business activities performed across these locations are grouped into offices and service centers. As a growing company, we aim to bring in ESG data from new locations as soon as the following two criteria are met: location needs to be in use, and a certain confidence level in data quality achieved; applying a grace period of no more than 12 months.

EU Taxonomy, contd.:

Environmental performance

Absolute CO reduction

We report on absolute CO2 emissions reduction as per the Science Based Targets initiative with 2022 as the base year.

Scope 1: Direct emissions from Controlant's activities as defined in the GHG protocol. Includes fugitive emissions (refrigerants) and emissions from operating company cars with internal combustion engines.
Scope 2: Indirect emissions from Controlant's activities as defined in the GHG protocol. In 2022, Controlant's reporting was limited to location-based carbon emissions due to unavailability of renewable energy certificates in Iceland. Energy attribute certificates in Iceland were introduced again in 2023, enabling Controlant to report market-based emissions.
Scope 3: Indirect emissions from Controlant's value chain as defined in the GHG protocol.
Category 1: Purchased goods and services such as IT equipment, office furniture and IoT devices.
Category 2: Capital goods such as cooling/calibration machines for Controlant's services centers.
Category 3: Fuel and energy related activities such as indirect emissions from production of fuels and energy purchased and consumed by Controlant, not included in Scope 1 and 2.
Category 4: Upstream transportation from shipping IoT devices to Controlant's service centers.
Category 5: Waste generated in own operations such as offices and service centers.
Category 6: Business travel includes emissions from business flights only.
Category 7: Employee commute emissions calculated from annual employee survey.
Category 8: Upstream leased assets associated with the heating of Controlant's rented properties with no direct control over the energy usage.
Category 9: Downstream transportation and distribution of IoT devices from Controlant's service centers to customers. New measure for 2023.

Emissions intensity

Total GHG emissions relative to revenues (tonnes CO_2 equivalent per USD 1million in revenues); GHG emissions relative to employees (tonnes CO_2 equivalent per average headcount); and GHG emissions relative to square meters (kg CO_2 equivalent per m^2).

Renewable energy

Includes hydro and geothermal in Iceland for electricity and heating, while a mix of hydro, solar, wind and biomass in the other European locations.

Social performance

Headcount

Defined as all employees with an employment contract with Controlant who are on payroll regardless of the type of contract at year end. Excluded are employees on unpaid leave (except parental leave) and contractors.

FTE

Defined as full-time-equivalent employees at year end excluding contractors.

Injury rate

Total recordable incident rate (TRIR) based on a number of reported work-related accidents.

Turnover

Financial year 2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy aligned proportion of total turnover, year 2022	Category (enabling activity)	Category (transitional activity)
Text		*USD*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (taxonomy aligned)		0	0%	0%	-	-	-	0%	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NA	NA	
Of which enabling		0	0%	0%	-	-	-	0%	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NA	NA	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**NA**	**NA**	**NA**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	8.2 5.5	82.596.390	45%																
Total (A.1+A.2)		**82.596.389,56**	**45%**	EL	-	-	-	**EL**									-	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**102.293.891,86**	**55%**																
Total (A+B)		**184.890.281,42**	**100%**																

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.

** Taxonomy-aligned turnover of the activity/ Total turnover of undertaking

Legal Disclaimer

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For more information on the qualitative reporting requirements under the EU Taxonomy, please refer to Delegated Regulation (EU) 2021/2178 ('Disclosures Delegated Act').

CAPEX

Financial year 2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy aligned proportion of total CapEx, year 2022	Category (enabling activity)	Category (transitional activity)
Text		USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
Of which enabling		0	0%	100%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Data-driven solutions for GHG emissions reductions (CapEx C)		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Data-driven solutions for GHG emissions reductions	8.2	81.659.473,00	98%																
Office equipment & Machinery	5.5	1.354.531	2%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**83.014.004**	**100%**																
Total (A.1+A.2)		**83.014.004**	**100%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**0,00**	**0%**																
Total (A+B)		**83.014.004**	**100%**																

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.

** Taxonomy-aligned CapEx of the activity/ Total CapEx of undertaking

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OPEX

Financial year 2023				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	OpEx	Proportion of OpEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy aligned proportion of total OpEx, year 2022	Category (enabling activity)	Category (transitional activity)
Text		USD	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Data-driven solutions for GHG emissions reductions (O		0	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NA	NA	NA
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**NA**	**NA**	**NA**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Data-driven solutions for GHG emissions reductions (OpEx A)	8.2 5.5	42.143.833	54%																
Transport by company vehicle		29.865	0%																
Support for Data-driven solutions for GHG emissions reductions (OpEx A)		7.193.062	0%																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**49.366.760,00**	**54%**																
Total (A.1+A.2)		**49.366.760,00**	**54%**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**28.380.577,54**	**37%**																
Total (A+B)		**77.747.337,54**	**91%**																

* For the purposes of this illustrative template, this figure shows the: Taxonomy-aligned turnover of the activity / Total Taxonomy eligible turnover of the activity.

** Taxonomy-aligned OpEx of the activity/ Total OpEx of undertaking

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