Controlant hf.

Consolidated Financial Statements 2022

Controlant hf.
Holtasmári 1
201 Kópavogi

Reg.no. 670605-0780

Contents

Endorsement and Statement by the Board of Directors and the CEO

Operations of the company

Controlant hf. (the "Company") provides global pharmaceutical companies 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 2022 comprise the financial statements the Company and its subsidiaries (together "the Group" or "Controlant"). The subsidiaries of the Company that comprise the group are incorporated in Denmark, USA, Poland and the Netherlands. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and include additional disclosures required by Icelandic law.

The Company´s operations in 2022 and future development

In 2022, Controlant's operating revenues amounted to USD 133.5 million, increasing from USD 68.3 million in 2021 or by over 95%. Net profit in 2022 was USD 5.5 million compared to USD 10.6 million in 2021 while operating profit was USD 10.3 million compared to USD 3.4 million in 2021.

Controlant's average number of full-time employees (FTEs) increased by just over 50% from 248 in 2021 to 381 in 2022 with FTEs at year-end standing at 428 compared to 357 in 2021, supporting the increased activity and expansion in relation to agreements with global pharmaceutical companies and logistic partners. At year-end, the gender diversity of FTEs stood at 41/59 female to male ratio compared 43/57 in the Executive Team and 40/60 in the Board of Directors.

The Company continued to invest in its employee base, supporting the increased activity and expansion in relation to agreements with global pharmaceutical companies and logistic partners for the implementation of the Company's solutions. Its commercial team was strengthened and further investments made in research and development to strengthen the software platform and prepare for future scaling. Aggregated capitalized research and development cost was USD 24.2 million at the end of 2022 compared to USD 10.8 million in 2021.

Main challenges and risk factors

A significant part of Controlant's revenues in 2022 continued to be related to Covid-19 vaccine distribution for one of the world's largest pharmaceutical companies, contributing to revenue concentration risk. The Company expects a gradual decrease in the distribution of Covid-19 vaccine although forecasts indicate continued seasonal demand as is common practice for influenza vaccines. Decreased revenue from vaccine distribution is expected to be offset by revenues from new customer accounts.

The Company has strong relationships with its key customers, which include seven of the world's largest pharmaceutical companies, with long-term agreements in place. There is strategic focus on broadening the customer base, diversifying revenue streams and thereby decreasing revenue concentration risk.

The Company regularly evaluates its currency-related risks, as a considerable 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. Management considers the risk of write-offs of accounts receivables to be immaterial.

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

Future outlook

The demand for Controlant's advanced and innovative solutions, aimed at transforming global pharma supply chains, is expected to grow at a strong pace supported by favourable secular trends. The Company is in a unique position to capitalize on increased digitization and increased focus on sustainable operations in the pharmaceutical industry.

In 2023, non-covid related revenues are expected to grow significantly, off-set by a decrease in distribution of the vaccine, resulting in limited overall revenue growth. Revenue diversification is expected to improve significantly. Investments in further expanding the employee base and its geographical locations will continue at a strong pace, mostly in the commercial and research and development functions, underpinning an elevated targeted revenue growth in 2024 to 2026.

To fuel future growth, Controlant aims to raise additional funds in 2023, supporting the Company's R&D initiatives, expanding product offerings, and further investing in the expansion of commercial activities in the Company's key markets in the United States and Europe.

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 disclosure and Corporate Governance Statement.

In 2022 Controlant published its first Sustainability Progress Report, which can be found at https://www.controlant.com/sustainability.

Share Capital

A 100 for 1 stock split was executed on the 30 December 2022, when new shares amounting to approx. ISK 603.5 million, nominal value, were issued to existing shareholders, proportionally. The stock split served the primary purpose of normalizing the nominal share capital and pricing of the shares. No shareholder rights were modified.

Registered share capital of the Company at year end was ISK 609.6 million, nominal value. The shares in the Company were held by 312 shareholders by the end of 2022, compared to 219 at the end of 2021. The holding of the 10 largest shareholders was as follows:

	Nominal value	Share
Frumtak 2 slhf.	52.364.000	8,6%
Stormtré ehf.	39.970.600	6,6%
Líra ehf.	28.582.500	4,7%
HB6 ehf.	24.360.900	4,0%
Furinge Invest ApS	23.938.800	3,9%
Kaskur ehf.	18.783.100	3,1%
Sio ehf.	17.358.500	2,8%
NG Invest Ltd.	14.286.300	2,3%
SH32 ehf.	13.912.000	2,3%
Nataaqnaq Fisheries	11.500.000	1,9%
	245.056.700	40,2%
Other shareholders (302)	364.527.900	59,8%
Total share capital	609.584.600	100,0%

The Board of Directors will propose to the 2023 Annual General Meeting that no dividends will be paid to shareholders for the operational year 2022. 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.

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

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 2022, operating performance and the cash flows for the year ended 31 December 2022 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 2022 with their signatures.

Kopavogur, 25 April 2023

Board of Directors:

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Ásthildur Otharsdóttir
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Ásthildur Otharsdóttir

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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 statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its 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 Statement 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 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 financial statements in accordance with IFRSs as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statement Act no. 3/2006, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 25 April 2023

KPMG ehf.

Hjördís Ýr Ólafsdóttir
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Jón Arnar Óskarsson
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Statement of Comprehensive Income for the year 2022

	Notes	2022	2021
Operating revenue			
Sales of goods and services		133.466.222	68.258.251
Operating expenses			
Cost of goods and services		31.288.262	22.525.014
Salaries and salary-related expenses	3	28.641.970	17.059.251
Other operating expenses	4	8.004.213	4.410.702
Depreciation and amortisation	5	55.199.347	20.867.352
		123.133.792	64.862.319
Operating profit before financial income and expenses		10.332.430	3.395.932
Financial income and expenses			
Interest income		38.165	40.842
Interest expenses		(1.057.879)	(1.609.620)
Net currency exchange difference		(2.531.987)	3.384.963
	7	(3.551.701)	1.816.185
Profit before tax		6.780.729	5.212.117
Income tax	6	(1.323.503)	5.408.631
Profit for the year		5.457.226	10.620.748
Other comprehensive income:			
Operating items that may be reclassified			
income statement recognized directly in equity:			
Translation differences due to the activities of subsidiaries		41.442	(12.223)
Total comprehensive income for the year		5.498.668	10.608.525

Statement of Financial Position as at 31 December 2022

	Notes	31.12.2022	31.12.2021
Assets			
Development costs	8	24.217.188	10.787.217
Other intangible assets	8	1.180.953	1.521.980
Operating assets	9	219.135.583	88.173.166
Deferred tax asset	6	4.212.587	5.529.614
Total non-current assets		248.746.311	106.011.977
Inventories		0	44.436.187
Trade receivables	11	21.972.065	15.916.301
Other receivables	12	46.090.361	60.063.717
Cash and cash equivalents		10.626.792	4.962.855
Total current assets		78.689.218	125.379.060
Total assets		327.435.529	231.391.037
Equity			
Share capital		4.795.473	47.437
Share premium		16.910.932	21.085.040
Reserves		24.459.546	11.234.871
Accumulated deficit		(7.370.732)	(395.967)
Total equity	13	38.795.219	31.971.381
Liabilities			
Lease liabilities	14	8.122.363	6.458.544
Deferred income	2	211.161.949	0
Total non-current liabilities		219.284.312	6.458.544
Loans and borrowings		0	765.932
Current maturities of lease liabilities	14	1.821.179	1.347.993
Trade payables		14.766.094	14.444.269
Deferred income	2	46.559.979	173.700.868
Other payables		6.208.746	2.702.050
Total current liabilities		69.355.998	192.961.112
Total liabilities		288.640.310	199.419.656
Total equity and liabilities		327.435.529	231.391.037

Statement of Changes in Equity for the year 2022

	Share capital	Share premium	Reserves	Accumulated deficit	Total equity
2022					
Equity 1.1.2022	47.437	21.085.040	11.234.871	(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	24.459.546	(7.370.732)	38.795.219
2021					
Equity 1.1.2021	42.456	13.954.537	4.852.471	(5.077.449)	13.772.016
Comprehensive income for the year			(12.224)	10.620.748	10.608.524
Effect of convertible bond	3.261	5.917.317			5.920.578
Increase of share capital	1.720	1.213.186			1.214.906
Effect of subsidiaries			423.445	(423.445)	0
Capitalization of development costs			5.971.179	(5.971.179)	0
Effect of stock options				455.358	455.358
Equity 31.12.2021	47.437	21.085.040	11.234.871	(395.967)	31.971.381

Statement of Cash Flows for the year 2022

	Notes	2022	2021
Cash flows from operating activities:			
Profit for the year	13	5.498.668	10.620.748
Adjustment for:			
Expenses due to stock options	3	751.242	455.358
Depreciation	5	55.199.347	20.867.352
Income tax	6	1.323.503	(5.408.631)
		62.772.760	26.534.827
Changes in current assets and liabilities:			
Inventories, decrease (increase)		0	(42.643.347)
Trade and other receivables, decrease (increase)		7.917.592	(68.370.910)
Trade and other payables, increase		87.843.477	167.750.148
Changes in current assets and liabilities		95.761.069	56.735.891
Net cash from operating activities		158.533.829	83.270.718
Cash flows used in investing activities:			
Investment in intangible assets	8	(18.017.238)	(9.497.684)
Investment in operating assets	9	(133.702.875)	(88.443.501)
Net cash used in investing activities		(151.720.113)	(97.941.185)
Cash flows used in financing activities:			
Increase of share capital		573.927	1.214.906
Payment of convertible bond		0	(4.333.325)
Payment of the principal portion of lease liabilities	14	(957.775)	(351.822)
Loans and borrowings, change		(765.932)	765.932
Net cash used in financing activities		(1.149.780)	(2.704.309)
Change in cash and cash equivalents		5.663.936	(17.374.776)
Cash and cash equivalents at 1 January		4.962.855	22.337.631
Cash and cash equivalents at 31 December		10.626.792	4.962.855
Financing activities without cash flow effect:			
Share capital		0	5.920.578
Convertible bond		0	(5.920.578)

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 2021, before that Icelandic krona (ISK) was the functional currency. The financial statements are prepared and presented in USD.

Annual financial statements were approved by the Company's Board of Directors on 25 April 2023.

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.

Notes, contd.:

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.

Notes, contd.:

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 257.7 million at year end. The agreements entail that the customers prepays for services, with the proceeds used by the Company to invest in operating assets, ensuring that the Company is at all times capable of providing the services required by the customers. The Deferred income is divided into short-term and long term debt, and it is assumed that 46.6 million will be used by the customers in 2023.

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 2023 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.

– IFRS 17 and amendments to IFRS 17 Insurance contracts.
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
– Definition of Accounting Estimates (Amendments to IAS 8).

3. Personnel expenses

Salaries and salary-related expenses are specified as follows:

Salaries	32.366.436	18.874.215
Salary-related expenses	5.926.289	3.788.758
Accrued vacation pay	957.011	715.969
Charge of stock options, see note 15	751.242	455.357
Capitalized salaries	(11.359.008)	(6.775.048)
Total salaries and other personnel expenses	28.641.970	17.059.251

Average number and full time equivalents during the year	381	248
Full time equivalents at the end of the year	428	357

Salaries of the CEO amounted to USD 252.000 for the year 2022 (2021: USD 190.000). Remuneration of the Board of directors amounted to USD 47.000 for the year 2022 (2021: USD 40.000).

Notes, contd.:

4. Other operating expenses

Other operating expenses are specified as follows:

	2022	2021
Cost of services	8.650.211	2.750.250
Charged utilities and equipment, maintenance and operating leases	1.349.686	925.220
Other operating expenses	6.315.162	4.897.473
Capitalized development cost	(8.310.846)	(4.162.241)
Other operating expenses total	8.004.213	4.410.702

5. Depreciation

The depreciation charge in profit or loss is specified as follows:

Development cost	4.479.815	2.029.380
Other intangible assets	448.479	72.835
Operating assets	49.037.225	18.114.414
Lease assets	1.233.828	650.723
Depreciation total	55.199.347	20.867.352

6. Income tax

Income tax is specified as follows:

Profit before tax	6.780.729	5.212.117
Income tax according to current tax rate, 20%	(1.392.048)	(1.042.423)
Non-taxable income - tax relief Rannís	352.014	590.580
Non-deductible expenses - stock option agreements	(150.248)	(91.100)
Other changes	(133.221)	(39.926)
Capitalized (impaired) tax assets	0	5.991.500
Income tax in the income statement	(1.323.503)	5.408.631
Effective tax rate	19,5%	-103,8%

Deferred tax asset is specified as follows:

Deferred tax asset 1.1	5.529.614	0
Income tax recognised in income statement	(1.317.027)	5.408.631
Income tax	0	120.983
Deferred tax asset 31.12	4.212.587	5.529.614

Deferred tax asset is attributable to the following:

Intangible assets and operating assets	1.899.453	2.031.586
Lease assets	(1.849.721)	(1.477.605)
Lease liabilities	1.988.708	1.561.307
Deferred currency exchange difference	108.505	(396.076)
Tax-loss carry forwards	2.065.642	3.810.402
Deferred tax asset 31.12	4.212.587	5.529.614

Notes, contd.:

6. Income tax, contd.

The unequalised tax loss at the end of 2022, which may be carried forward according to tax law, amounts to USD 10.3 million. At the end of 2022, tax assets due to losses were recognized, as plans assume that they will be used against tax profits in coming years. 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:	2022	2021
Taxable loss 2017, usuable until 2027	0	915.120
Taxable loss 2018, usuable until 2028	0	4.183.781
Taxable loss 2019, usuable until 2029	2.453.387	5.374.033
Taxable loss 2020, usuable until 2030	7.874.823	8.579.076
Total	10.328.210	19.052.010

7. Financial income and expenses

Financial income and expenses are specified as follows:

Interest income on cash and cash equivalents	38.165	40.842
Interest expense on loans and borrowings	(367.197)	(1.125.322)
Interest expenses on lease liabilities	(690.682)	(484.298)
Net currency exchange	7.603	3.545.154
Foreign Exchange Contract, fair value change	(2.539.590)	(160.191)
Total	(3.551.701)	1.816.185

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% (2021: 35%) of the cost directly attributable to the project. Development cost is specified as follows:

Balance at 1.1.2022	10.787.217	4.816.014
Reclassification	0	16.178
Capitalized wages and salary-related expenses	11.359.008	6.775.048
Capitalized other development costs	8.310.846	4.162.264
Calculated refund Rannís	(1.760.068)	(2.952.907)
Depreciation	(4.479.815)	(2.029.380)
Balance at 31.12.2022	24.217.188	10.787.217

The estimated reimbursement costs for the development project amounted to USD 1.8m for the year 2022 (2021: USD 3.0m).

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

Balance 1.1.2022	1.521.980	120.070
Reclassification	0	(16.178)
Additions	107.452	1.513.279
Depreciation	(448.479)	(95.191)
Balance at 31.12.2022	1.180.953	1.521.980
Depreciation ratios	25-30%	25-30%

9. Operating assets

Specified as follows:

Cost	Lease assets	Monitoring equipment	Office equipment	Total
Carrying amount at 1.1.2022	8.207.259	96.702.228	3.986.686	108.896.173
Transferred from inventory	0	44.436.187	0	44.436.187
Additions	0	132.221.205	1.481.670	133.702.875
Effect of revaluation of lease liabilities	3.094.408	0	0	3.094.408
Carrying amount at 31.12.2022	11.301.667	273.359.620	5.468.356	290.129.643
Depreciation				
Balance at 31.12.2021	819.235	18.894.233	1.009.538	20.723.006
Depreciation	1.233.828	47.898.292	1.138.933	50.271.053
Balance at 31.12.2022	2.053.063	66.792.525	2.148.471	70.994.059
Carrying amounts				
Balance at 1.1.2021	2.464.131	9.602.957	830.742	12.897.830
Balance at 31.12.2021	7.388.024	77.807.995	2.977.148	88.173.166
Balance at 31.12.2022	9.248.604	206.567.095	3.319.885	219.135.583
Depreciation ratios	3-10%	25-30%	20-33%	

Inventories that the Company plans to sell to customers have been reclassified to Monitoring equipment as the equipment is now used to provide service to customers.

10. Shares in subsidiaries

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

	2022	2021
Controlant Denmark ApS.	100%	100%
Controlant Inc, USA	100%	100%
Controlant Netherlands B.V	100%	100%
Controlant Poland Sp.z o.o	100%	100%

11. Trade receivables

The Company's trade receivables at the end of 2022 are USD 22.0 million (2021: USD 15.9 million). The payment deadline for trade receivables are 30-90 days. Management does not consider there to be a risk of loss in trade receivables.

12. Other receivables

Other receivables are specified as follows:

	2022	2021
Prepaid investments in operating assets	40.000.000	55.372.468
Value added tax deposit	1.888.109	1.552.462
Other short term receivables	4.202.252	3.138.787
Total other receivables	46.090.361	60.063.717

13. Equity

Shares

The Company's share capital according to its Articles of Association amounts to ISK 609,584,500 in the end of 2022 and is divided into 158,388,200 A shares og 451,196,300 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.
A 100 for 1 stock split was executed on the 30 December 2022, when new shares amounting to approx. ISK 603.5 million, nominal value, were issued to existing shareholders, proportionally. The stock split served the primary purpose of normalizing the nominal share capital and pricing of the shares. No shareholder rights were modified.

Share premium

The difference between the nominal value and the sale price of the share capital that the Company has sold is entered in the share premium account.

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.

Equity management

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 2023 taking into consideration the long-term operations and future plans. The equity ratio was 12% at year-end 2022 compared to 14% at year-end 2021, but the large amount of deferred income skews this ratio considerably, and therefore must be considered when assessing the equity ratio.

14. *Lease liability*

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

	2022	2021
Carrying amount at 1.1.2022	7.806.537	2.594.173
New leases and effect of remeasurement of leases	3.094.780	5.564.186
Repayments	(957.775)	(351.822)
Total lease liabilities	9.943.542	7.806.537
Current maturities of non-current lease liabilities	(1.821.179)	(1.347.993)
Total non-current lease liabilities	8.122.363	6.458.544

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

Within 12 months	1.929.260	1.396.649
One to five years	6.992.398	4.839.573
More than five years	3.757.731	4.803.543
Total undiscounted lease liabilities	12.679.389	11.039.764
Unrealised interest expense	(2.735.847)	(3.233.227)
Net liabilities in leases	9.943.542	7.806.537

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

15. 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 for the purchase of shares with a nominal value of ISK 277.1K in accordance with the Board authority in the Articles of Association. The average purchase price in the agreements is around ISK 13.31 per share, but stock option holders have already exercised stock options with a nominal value of ISK 71.735 kr. The agreements are exercisable in the years 2022-2031. They will only be settled with delivery of shares against the agreed payment.

Notes, contd.:

16. Risks

Key revenue pillars for the Company are few large but financially strong customers and write offs of accounts receivables have been insignificant. Changes to the reporting currency to USD commencing in 2021 has also led to decreased currency risk. Liquidity risk is also considered as limited given the Company's liquidity position at year end and considering the fact that large part of liabilities relates to deferred income. The Company is exposed to currency where almost all the Company's revenu are in USD but 70% of expenses are in ISK. Currency risk in the balance sheet is inmaterial.

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. Management considers the risk of write-offs of accounts receivables to be immaterial.

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.

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. Risk assessment is done according to standards that are defined in the accreditations that the Company has obtained, ISO 9001:2015, ISO 27001:2013 and SOC 2 type 2.

Non-financial reporting

Controlant hf. (the "Company") is a leading, international software tech company, with head offices in Iceland, providing real-time monitoring supply chain solutions for pharmaceutical companies. Founded in 2007 and backed by a strong investor base, Controlant generated around USD 133 million in annual revenues in 2022.

With 428 employees across ten countries, Controlant's 24/7 monitoring and response services provide control-tower visibility for pharma shipments, ensuring product quality and integrity. Controlant's digital Visibility Platform solution provides a single source of supply chain truth, consisting of reusable Internet of Things data loggers that send mission-critical data and insights in real time. Its solutions support the safer, more reliable, more traceable, and more sustainable transport of pharmaceutical products.

Controlant's vision is to unleash the power of people and technology to deliver zero-waste supply chain for its partners and the planet.

Code of conduct and policies

Controlant complies with all applicable laws and regulations in the countries it operates or conducts business. This includes, but is not limited to, laws and regulations that prohibit bribery and corruption, impose trade sanctions and protect privacy rights.

Controlant does not tolerate bribery or any other form of corrupt business behavior and ensures compliance with all laws and regulation in relation to anti-bribery and business corruption.

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 fulfil 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.

Corporate social responsibility

Controlant supports the Ten Principles of the United Nations Global Compact on human rights, labor, environment and anti-corruption. In 2022 the Company committed to implementing those principles as part of its operations and culture, with a focus on UN Sustainable Development Goals #3 good health and well-being, #5 gender equality, #12 responsible consumption and production, and #13 climate action.

Controlant recognizes the urgent need to protect the planet, to meet the needs of a growing population and generations to come. The Company aspires to become one of the most sustainable companies in its industry and is setting a clear path towards corporate sustainability leadership, by balancing environmental, social, and economic performance.

In line with Controlant's Corporate Social Responsibility ("CSR") Policy, Controlant focuses on sustainability's triple bottom line. The guiding principle is to positively impact the planet, people, and value throughout its partnerships, innovation, and operation. Sustainability is integrated in how and why solutions are developed, business conducted, and people motivated. Controlant has defined several sustainability related targets and performance indicators, requiring all functions within the Company to align around this topic, contribute positively to sustainability and monitor progress. Performance is reviewed regularly with set goals

In 2022 Controlant published its first Sustainability Progress Report covering the environment (planet), (people), the communities it operates in and the value (profit) it generates. A first materiality analysis was conducted late 2021 to prioritize CSR topics according to importance to Controlant and its stakeholders. Topics identified that are of highest importance: data security, customer privacy, labor practices, product design and lifecycle management, and critical incident risk management. Conclusions from this first assessment are still relevant for 2022 and will be reviewed in 2023.

Non-financial reporting, contd.:

Certifications

Controlant's management system certifications include ISO 900:2015 (quality management system), ISO/IEC 27001:2013 (information security management), ÍST 85:2012 (equal pay management system). Controlant undergoes annual SOC2 Type 2 audit. Controlant's products are designed for the 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.

Environmental responsibility

Controlant acknowledges responsibility towards the environment and is committed to implementing practices in its operations which will promote environmental sustainability. Controlant complies with all environmental protection laws applicable to its operations and acts in accordance with its environment protection policy.

Sustainability has always been at the heart of everything at Controlant. In partnership with some of the world's biggest companies, Controlant reduces waste in critical and valuable supply chains, enabling its customers to deliver on their climate strategies. Advising them with analytics and insights to make their supply chains more agile and resilient from end to end.

Controlant's climate commitments towards a net zero-carbon future include: the setting of a carbon emission baseline for scope 1, 2, and 3 by year-end 2023 and transparently report its sustainability information. Controlant endeavors to set science-based carbon emission reduction targets no later than 2024, aiming to train all employees on sustainability matters and champion corporate sustainability throughout the organization. More details on Controlant's climate commitment and actions can be found found at https://www.controlant.com/sustainability.

Social responsibility

Controlant is committed in upholding the human rights of all its employees and ensuring that employees are treated with dignity and respect. All employees of Controlant are employed in compliance with applicable labor laws and practices and Controlant does not use any forced labor or child labor in its operations.

Controlant respects all rights of employees, including the rights to associate freely, join or not join labour unions. Employees can communicate openly with management regarding working conditions without threat of reprisal, intimidation or harassment. Controlant provides its employees with healthy working environment, all in compliance with applicable laws and regulations regarding the workplace.

Controlant aspires to become one of the best places to work for the most talented people. The Company's culture is built around creating the best possible work environment for its employees. Valuing equality, diversity, and inclusion in the workplace. Controlant is proud to be certified as an equal-pay employer. Team Controlant is composed of a variety of cultural, geographical, professional, and personal backgrounds, which is evidence of the Company's focus on diversity. Controlant is committed to creating a culture of inclusion where its people feel safe, supported, and included.

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.

Controlant's corporate sustainability related information and policies (CSR Policy, Environmental policy, Diversity and Inclusion Policy, Health and Safety Policy) can be accessed on www.controlant.com/sustainability or by contacting sustainabilty@controlant.com.

Controlant's first integrated annual report is expected to be published first half 2024 for the year 2023.

Corporate Governance Statement

Controlant hf. (the "Company") is a public limited company incorporated in Iceland, with its head office in Kopavogur, 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 outlines the Company's approach towards corporate governance.

The Company operates in accordance with all relevant laws and regulations in Iceland, including the Act on Public Limited Companies no. 2/1995. The Company´s operations are guided by its Articles of Association as well as internal policies and procedures. The Company's Board of Directors has adopted Rules of procedures, which take into consideration the guidelines on corporate governance published by the Iceland Chamber of Commerce, SA Confederation of Icelandic Enterprise and Nasdaq in 2021.

The Company complies with the vast majority of the guidelines. The main deviations are explained below:
- Information on the Board of Directors and the Board´s Rules of procedure are not accessible on the Company´s website as is but that will be amended in the year 2023.
- The Board of Directors decided there was no need to establish any sub-committees of the Board for now.

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 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 2022 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 a yearly 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 a training regarding their operating procedures and general work rules of 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 and reporting are transparent, accurate, and compliant with applicable 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 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 22 June 2022. The auditor representing KPMG ehf. is Jon Arnar Oskarsson, certified public accountant. He has audited and endorsed the Company's 2022 consolidated financial statements

Corporate Governance Statement, contd.:

Composition and activities of the Board of Directors, the CEO, and the Executive Team

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, except for Erlingur Brynjulfsson, Chief Technology Officer, who serves as reserve director but did not take seat on the Board of Directors during 2022.

Board of Directors

The Board of Directors has ultimate authority over Company matters between shareholder meetings. The Board of Directors is elected by the shareholders, ordinarily at the AGM, for a one-year term and operates in accordance with Icelandic laws and regulations, the Company's Articles of Association and the Rules of Procedure adopted by the Board of Directors. The Board of Directors comprises of five directors, elected at the AGM on 22 June 2022. In line with 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 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. At least once a year, the Board of Directors conducts an evaluation of the CEO's performance and decides on any necessary actions. The Chairman and the CEO discuss the results of this evaluation and any proposed actions.

The Board of Directors conducts a performance evaluation each year of the Boards performance and practices in the form of self-assessment. The conclusions of the Board performance evaluation for 2022 were discussed at a Board meeting in April 2022, key risks and strategic priorities for the year 2022 identified and ways to improve the Boards work discussed.

The Board of Directors visits company locations in Iceland and abroad on a 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.

Considering the guidelines on corporate governance published by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Enterprises, all five members of the Board of Directors are considered independent of the Company and its major shareholders.

Ásthildur Otharsdóttir (55), Chairman of the Board of Directors

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 board member of Business Iceland. Frumtak Ventures, where Ásthildur is a partner and investment manager, is a shareholder of Frumtak 2 slhf. which holds 8.6% of shares in the Company at the date of these accounts.

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.

Frosti Ólafsson (40), Vice-chairman of the Board of Directors

Frosti holds an MBA degree from London Business School and a B.Sc. degree in Economics from University of Iceland and Macquire University in Sydney, Australia. Frosti currently works full time as the CEO of Olís ehf. and is a Board member of Íslandsbanki hf. and Garður ehf.

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

Corporate Governance Statement, contd.:

Kristín Friðgeirsdóttir (51), member of the Board of Directors

Kristín holds a Ph.D. in Management Science and Engineering and M.S. in Financial Engineering from Stanford University. Kristín currently works full time as the CFO of Sýn hf. and was previously a 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% of 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.

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

Trausti holds a M.Sc. degree in Electrical Engineering from Stanford University and a B.Sc. degree in Electrical Engineering from the University of Iceland. Trausti is a technology leader with 25+ years' progressive experience in R&D in digital communication, digital signal processing, low-power sensor systems, and machine learning, currently working full-time as a Director of Hardware Engineering at Google. Trausti holds 9,228,300 of 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.

Jørgen Rugholm (59), member of the Board of Directors

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 and 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, Future 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 owns 6,535,100 of 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.

The Board of Directors convened 14 times in 2022, with an average attendance of 97%.

Chief Executive Officer

Gísli Herjólfsson, (44) has been 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, Gisli holds 24,360,900 A-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 of the Company consists of the following seven members, each with clear task allocation and accountability:

Gisli Herjolfsson, Co-Founder, Chief Executive Officer (CEO)
Erlingur Brynjulfsson, Co-Founder, Chief Technology Officer (CTO)
Gudmundur Arnason, Chief Financial Officer (CFO)
Anna Karlsdottir, Chief Quality Officer (CQO)
Vally Helgadottir, Chief Operating Officer (COO)
Ella Bjornsdottir, Chief Human Resources Officer (CHRO)
Martin Thaysen, Chief Commercial Officer (COO)

See controlant.com for profiles of the Executive Team.

Diversity

The Company's vision is to unleash the power of people and technology to deliver zero-waste supply chains for its partners and the planet. To realize the vision and create long-term sustainable value for all its stakeholders, Controlant needs 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´s equality, diversity, and inclusion policy outlines the Company's principles regarding equality, diversity, and inclusion, as well as equal opportunity and equal pay. The purpose of the Policy is to ensure equal opportunities and fair advancement and remuneration as well as equality of genders and the importance to treat 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 prohibited. The policy is prepared in accordance with Icelandic Act No. 150/2020 on the Equal Position and Equal Rights of Genders.

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 remained stable at 40% (2021:40%). Following the extension of the Executive Team in 2022, gender diversity stood at 43% (2021: 50%).

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

Communication between shareholders and the Board of Directors

Shareholders 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 AGM shall, in accordance with the Articles of Association, be before the end of August, and other shareholder meetings are convened as deemed necessary.

Shareholder meetings, including "the annual general meeting" (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 and senior management.

Further information on the Company's policies can be found on controlant.com.

Corporate Governance Statement, contd.:

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 25th of April 2023.