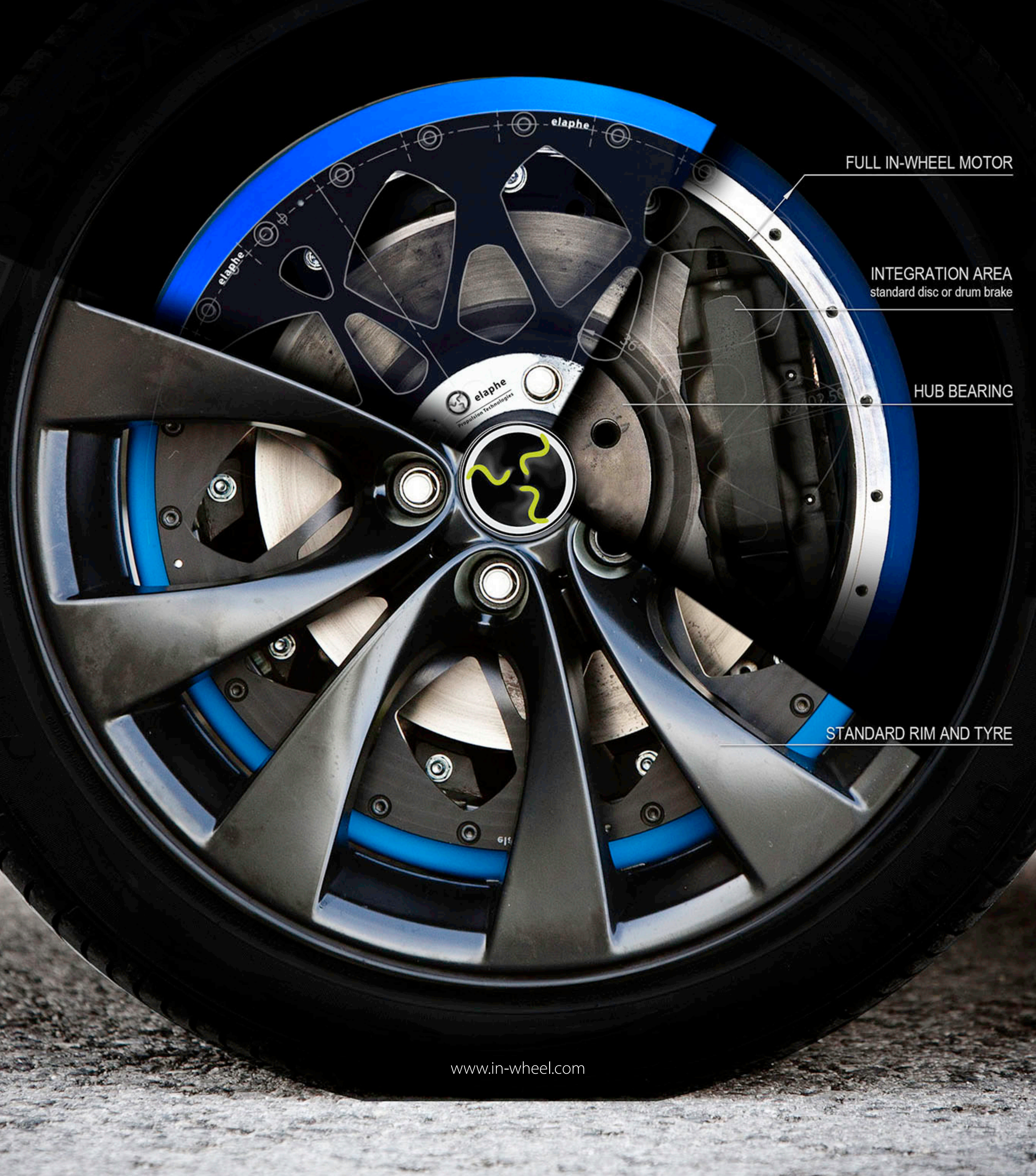
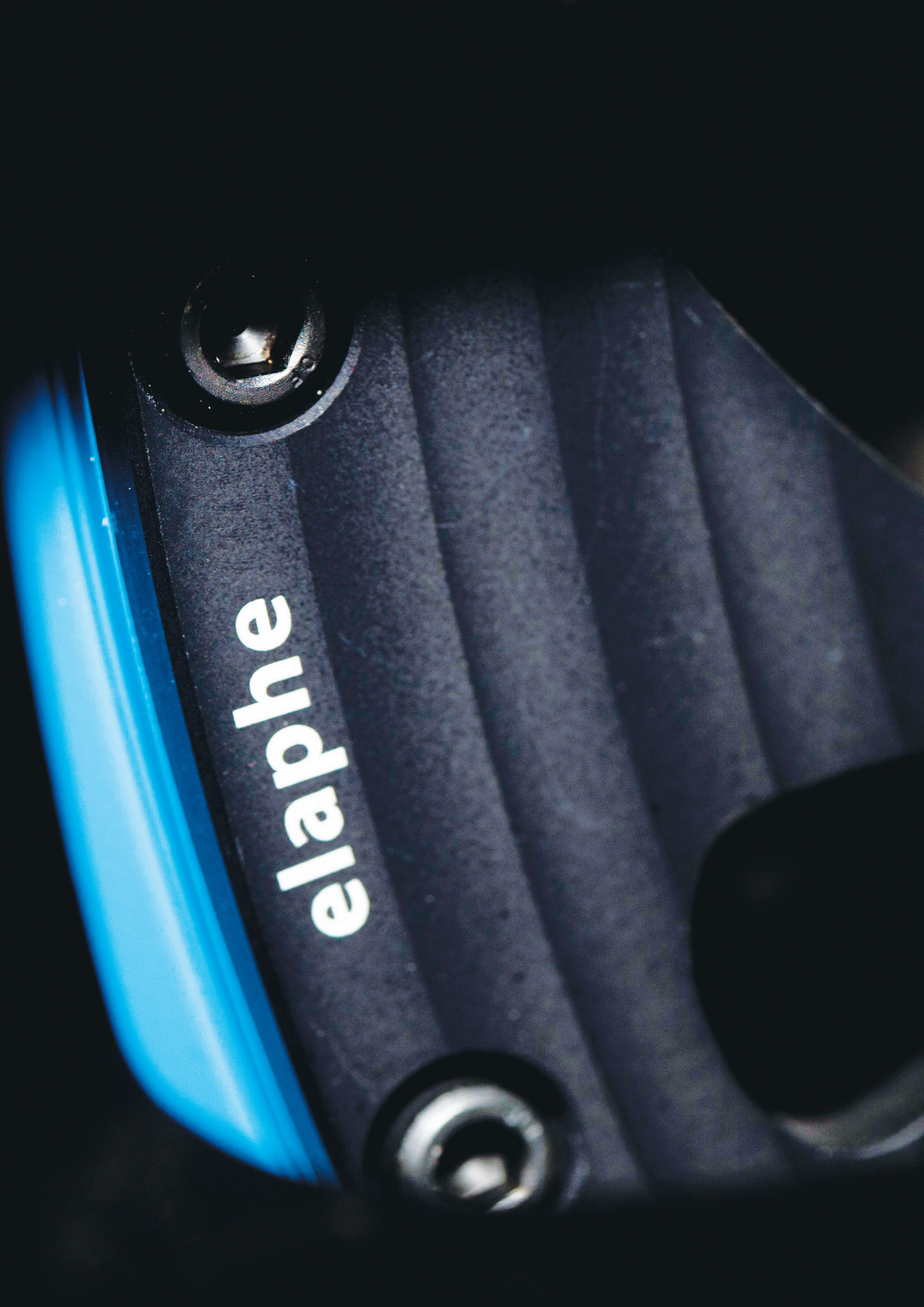
elaphe

Propulsion Technologies

Annual report 2021



www.in-wheel.com


elaphe

Contents

SECTION

A

elaphe

Annual report 2021

Company management

The Company is independently represented by the CEO, Gorazd Lampič since the Company's founding. Since 09/05/2011 the Company also has a holder of the procuration dr. Gorazd Gotovac.

Companies and consolidation

The Company Elaphe LTD does not compile consolidated financial statements. But it does own a 24.5% stake in APG-Elaphe Propulsion Technologies Co., Ltd. from China, which is classified as an associate Company measured according to the acquisition value.

Data of the associated Company as of 31/12/2021:

Headquarters and full name:

APG-ELAPHE PROPULSION TECHNOLOGIES CO., LTD.

No.1399 YATAI RD., XIAOSHAN DISTRICT

ZHEJIANG PROVINCE

311203 HANGZHOU-XIAOSHAN, ZHEJIANG, CHINA

Share capital on 31/12/2021: 14.705,00 EUR

Amount of capital on 31/12/2021: 3.643.612,00 EUR

Net profit of the business year from 1/1/2021 until 31/12/2021: 145.626,00 EUR

Share of ownership: 24.5%

Management statement is in accordance with Article 545 of the Companies Act (ZGD).

The Company has no subsidiaries and no controlling Company.

Presentation of Elaphe and its achievements

Elaphe LTD (hereinafter referred as the Company) was founded in 2006 by M.Sc. Gorazd Lampič with the aim of further technological development of compact electric motors with a high specific torque, which due to their design are particularly suitable for installation in the wheel of a vehicle. Lampič has been the CEO of the Company since the very beginning, and has won the award for Young Manager of the Year in 2017, which is an important recognition for the economic management of one of the most technologically advanced companies in Slovenia. He has more than 20 years of experience in the field of electric motors with direct drive, since he started developing them already back in 2002 – together with the internationally recognized Slovenian inventor Andrej Detela. Mr. Detela is a theoretical physicist and a world-renowned expert in the field of electric motors, who even today helps the development team of Elaphe engineers as a consultant with his vast knowledge and experience in the fields of physics, electrical engineering and mechanical engineering. His contribution is reflected in the continuous progress of efficiency and compactness of Elaphe's direct-drive electric motor. In 2018, the CTO of the Company dr. Gorazd Gotovac was also declared as a Rising Star of the automotive industry by the prestigious magazine Automotive News.

In 2006, the Company won the Best Business Plan award granted by the University of Ljubljana, in 2007 it ranked first in the Best Entrepreneurial Idea competition organized by the magazine Finance, and was also chosen among the ten most innovative companies at the Innovation Forum. As one of the organizers of the ECOmeet Event, the Company is continuously spreading knowledge about in-wheel technology in Slovenia every year.

The Company also actively cooperated numerous times with the Slovenian Research and Innovation Agency (ARIS) and was present at the following professional events in the past:

- 2005 (Fuel Cell Conference)
- 2007 (Conference at Italcar SPA in Verona; awarded 1st place for the most ecological company in Slovenia)
- 2008 (Earth Day; several presentations of electric vehicles across Slovenia) and many others.

In 2010, the Company took 3rd place among 750 of the most sustainability-related European companies in the EEVS competition. In the same year, Elaphe was also a finalist in the European part of the Intel Challenge competition in Budapest. The Company is constantly present on the world's scientific and entrepreneurial floor, not only directly by publishing articles in recognized scientific journals but also by involving in its activities and employing doctoral students and young researchers in the fields of mechanical engineering, physics and electrical engineering.

After visiting investors in the Silicon Valley in 2010, the Company expanded its business model from the development and production of electric in-wheel motor prototypes to laying down the foundations for serial productions of electric motors with a direct drive.

In 2011, production moved from a garage to a larger workshop on Jožeta Jame Street in Ljubljana. The rapid growth in the number of projects, business activities, researchers, engineers, machines and tools led to the Company moving again – this time to the main building at Litostrojska 44c, Ljubljana in 2012. The initial 200m2 in 2012 expanded to over 4,000 m2 due to development, research, prototyping and production activities, and the need for additional premises is still continuously growing.

During these years, the Company carried out around 20 major projects financed from national or European funds:

- more than ten FP7 and H2020 projects were successfully completed
- many small and medium-sized national projects coordinated by ARIS or SPIRIT were successfully completed
- in 2021, a larger project was implemented within the framework of the Ministry of the Economy, Tourism and Sport for INCENTIVES FOR RESEARCH AND DEVELOPMENT PROJECTS 2. Due to the focus on upgrading the competences of employees, the Company is also participating as a consortium partner in the Competence Center for the development of personnel in the field of information and communication technologies
- as of 2021 we are also included in the GREMO (GREen MObility) mission as part of the Slovenian automotive cluster and are participating in the first call called iMotion. For this mission, in May 2023, Prime Minister Robert Golob signed a commitment for a 200 million state subsidies stimulus to the Slovenian automotive industry over the next three years.

Elaphe is making sure that additional theoretical and practical trainings are constantly available for its employees and that they are always in contact with the latest technology (e.g. by visiting professional events and recognized foreign universities). In this way, the Company is expanding its network of development and business partners, is learning from prominent experts in the field of in-wheel motor development and production and is strengthening its recognition and reputation on the market.

Mr. Gorazd Lampič (CEO) together with employees and consultants owns 80% of the Company. The maintaining 20% of the ownership is in the hands of the Chinese strategic investor Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd. (APG) as the result of a €10 million investment back in 2016.

In 2020, the Company obtained an additional investment of €4.2 million from EIT Innoenergy, but is looking for further investments to expand premises and increase production even more to consolidate its overall position as the world's leading manufacturer of electric in-wheel motors.

The drive of electric vehicles with an emphasis on the direct drive is one of the central topics in the automotive industry worldwide. Interest is especially expressed in the most developed and richest countries, and the demand has long exceeded the supply on the market. The level of investment from both public (local, regional, national and European) as well as private sources from the world's leading vehicle manufacturers of all types and electrical machines is very suitable for this. Investments in electric vehicles with battery and fuel-cell drive have been continuously growing for the last 20 years. The same applies to popularity and demand – for social reasons due to greater environmental awareness and the desire to live a healthier life on the on hand, as well as for financial reasons, fueled by the rising prices of fossil fuels on the other.

In 2021, Elaphe is one of the world's leading companies in the field of electric motor drive solutions, control logic, control electronics and software for advanced functions.

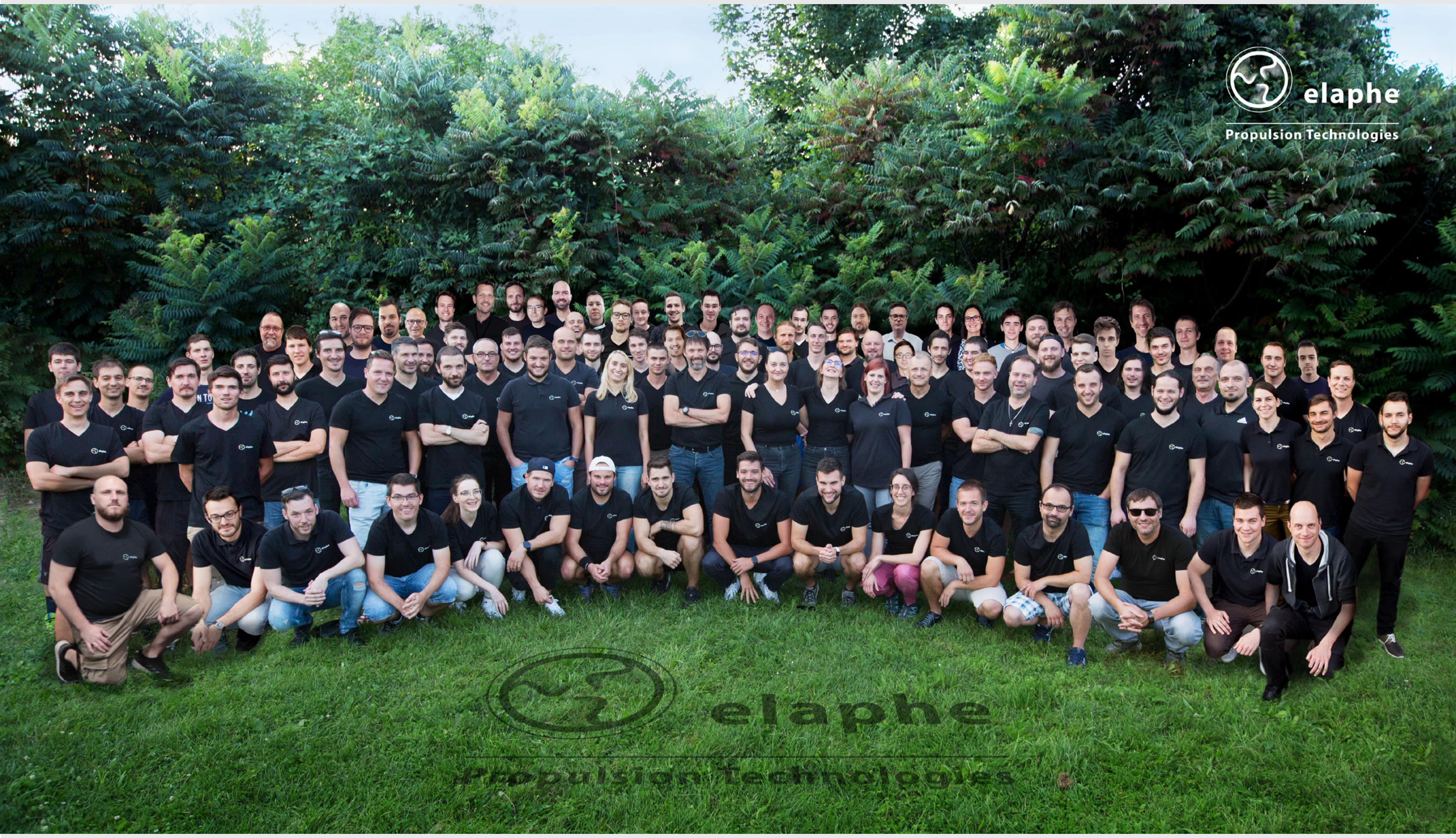
Currently, the Company is practically at a turning point, as in the past years its development has led to successful global recognition and excellent visibility among almost all vehicle manufacturers (OEMs).

It will now be necessary to demonstrate adequate growth of the Company's infrastructure and the team. Elaphe faces larger production volumes - which for a successful integration into the global market - require an increase in investments. With such investments, the Company will have to prove itself to the most demanding foreign buyers also from the point of view of production, testing and validation.

The desire is to ensure capacities that will address the needs in demanding global markets within the appropriate time frame. It is precisely the electric vehicle market that achieved unexpected growth in 2020 and 2021, despite already previously high forecasts.

An appropriate speed of growth will undoubtedly also encourage other global investors, who could enhance the further growth and global recognition of not only the Company and Slovenia, but also the technology of electric in-wheel motors itself - which increases the possibilities of sustainable solutions and green mobility overall even more.

In 2022, the Company purchased a plot of land in Brnik, in the Municipality of Cerklje na Gorenjskem, in order to build a new production complex. The investment project which will be realised in 2023-2025 will enable the optimization of our production and purchasing processes, thus contributing to meeting our sustainable goals in a broader sense, in the local and global industry. The investment project will allow Elaphe to benefit from an environment favorable for its growth pursuant to market needs and expectations.


elaphe
Propulsion Technologies
elaphe
Propulsion Technologies

Management statement

The management of Elaphe LTD (hereinafter referred as the Company) in line with Article 60a of the Companies Act ZGD-1-UPB3 with all amendments and additions; to ZGD-1I 24/07/2015, ensures that the Company's annual report with its management statement included, is prepared in accordance with the Companies Act (hereinafter referred to as ZGD) and the International Financial Reporting Standards as adopted by the EU (hereinafter referred to as IFRS).

Management declares that:

the Company's financial report for 2021 is drawn up in accordance with IFRS and that it is a true and fair presentation of assets, liabilities, financial position and profit,

a fair presentation of the development and results of the Company's operations and its financial position is included in the business report,

he date of approval of this annual report by the management is 09/01/2024.

Gorazd Lampič

CEO of Elaphe LTD

____

Gorazd Gotovac

Holder of the procuration of Elaphe LTD

____

Management of Elaphe LTD. as of 31/12/2021

The Company is independently represented by the CEO, Gorazd Lampič. As of 17/09/2018 the Company also has a holder of the procuration - dr. Gorazd Gotovac.

Mission, Vision, Values, Strategy, Responsibility

Mission

The Company is aiming to alleviate some of the stress we humans have place on our planet by transforming overall transportation through innovative technologies. The Company's goal is to increase efficiency, promote sustainable energy use and reduce the dependence on fossil fuels.

Vision

The Company's vision is to maintain a global leading position in the growing sector of electric mobility as a supplier of drive solutions for in-wheel electric motors.

Values. They are based on truth and knowledge; we approach challenges comprehensively and constructively.

We know how to. We are professional, dedicated and demanding. To ourselves first.

We want to. We are motivated to exceed expectations.

We can do it. We are very dynamic and entrepreneurial. Our goal is growth and development.

We respect. Customers, partners and colleagues.

We are responsible. We keep our promises.

We create. We combine new ideas and knowledge into solutions every day.

We enjoy it. Our work is driven by passion and originality.

We cooperate. We know that together we are the strongest.

Strategy

The Company's strategy includes growth and employment of professional staff who, even in their private time, live in accordance with high moral standards and demonstrate a responsible attitude towards the environment. The Company will continue to take care of regular education and trainings of its employees, organize visits by experts from recognized institutions around the world, and assert its position among the major players in the automotive world. Large and well-known customers such as Audi, Peugeot (PSA), Continental, Brembo, Fiat (FCA), etc. are already of great help in this area. The Company's excellent products, used by renowned companies, are also the key source of advertising, to help the Company maintain a good name.

Responsibility

Environmental responsibility is at the same time the Company's mission - Elaphe wants to reduce the negative impact of transport and mobility in a way which radically changes both with innovative and groundbreaking technologies. The Company strives for efficiency, is promoting sustainable energy use and is reducing dependence on fossil fuels. The target markets for Elaphe's products are all global markets with a high-established level of mobility but also all emerging markets. In the short term, the Company is also focused on all markets where the mentality and tax policy align with the Company's vision. It is also important for these markets that they have a good and reliable self-supply of electricity, a good distribution network and a sufficiently large potential for the use of electric vehicles.

WE ARE

elaphe

Most Important Elaphe products on the market

The automotive market is changing faster than it seems. In the 1920s, it took only 8 years for the number of vehicles to exceed the number of horses, and only 13 years for the automotive revolution to be complete. With the overall increasing transition to electric energy, the electric vehicle market needs new innovations to meet the emerging market demands. The in-wheel motor technology thus represents the next evolutionary step for electric vehicles, as it enables the development of user-cantered electric vehicles.

Positioning the drivetrain where it is actually needed is a basic bionic principle. The wheel drive has been identified and studied in the past, but so far, no technology has been able to meet the high demands of the automotive industry. With its intellectually protected inventions, Elaphe pushed the limits of what is possible with a special electromagnetic design that represents the basis of the Company's expertise. In addition to very high efficiencies and reduced losses, Elaphe's in-wheel electric motor enables a completely different way of designing, manufacturing and using a vehicle.

At the moment, buyers in the rapidly developing EV market can only choose between vehicles with a centrally-mounted electric drive, which has several disadvantages:

- the installation of this type of engine requires a lot of space, which consequently reduces the comfort in the vehicle (high sills, less space for luggage, passengers, etc.),
- such an engine adds extra weight onto the vehicle (mechanical transmission), which reduces the efficiency of the vehicle,
- a powertrain of this type includes a large number of components, resulting in complex assembly, maintenance and a more expensive production,
- in the operation of this type of powertrain, due to the design of the technology, there is up to a 22% loss, which causes a reduction in range,
- in case of failure, there is no possibility of redundancy, which consequently results in reduced safety and usability of the vehicle.

All of the above mentioned shortcomings affect limitations and reduce efficiencies in planning and costs.

The two main advantages of Elaphe's technology are a lower energy consumption and a maximum possible utilization of space. In addition, Elaphe enables greater safety with advanced control functions and better responsiveness, reduces vehicle weight and frees up space for passengers and cargo. In terms of technology, Elaphe's advantage is also the rotor, which is the only moving part of the drivetrain and is directly connected to the motor. That is why Elaphe can reduce production costs of the built-in motor in the entire process, thereby meeting the strict requirements of vehicle manufacturers.

Because of the direct drive, there is no need for gears or other parts of the drive transmission (e.g. gearbox, drive shafts, differential, cardan shaft), and thus our solution is able to meet the following vehicle development needs:

- compared to the competition we can free up the most space which can be used for additional energy sources, passengers or cargo,
- we can enable user-cantered design, greater agility and a shorter distance of the vehicle chassis from the ground,
- we can shorten the vehicle development time and reduce the number of components,
- we can enable modularity and expandability of the powertrain to various vehicle platforms,
- we can bring additional possibilities for the introduction of advanced solutions in the field of safety, driving dynamics and improved vehicle performance,
- we can enable program upgradeability of the vehicle's performance and functionality.

The in-wheel electric motor also adequately meets the requirements for greater vehicle range and improved vehicle reliability and performance. At the same time, the technology helps to reduce the number of vehicle parts, the complexity of manufacturing, and can lower the cost of vehicle manufacturing from design to the final product.

Elaphe technology is designed to directly address market challenges while providing one of the lightest and most compact automotive solutions:

- uses 20% less magnetic material,
- the technology boasts a simple assembly process,
- is compatible with the installation of standard automotive parts.

All these advantages not only make the Elaphe technology more powerful than the competition and but also more cost-effective.

Key results in numbers

Elaphe LTD - business analysis

Company income

Sales revenue increased by 120% in 2021 compared to 2020.

in thousands of EUR	2021	2020
Net sales revenue	14.631	6.643
EBITDA	5.069	2.496
Net profit/loss	3.148	743
Capital	13.652	10.259
INDICATORS		
EBITDA share in sales revenue	34,64%	37,58%
NUMBER OF EMPLOYEES	141	75

Business result

In 2021, the Company generated 3.148 thousand EUR in net profit after taxes. Operating profit before taxes, depreciation and financial work (EBITDA) was 5.069 thousand EUR in 2021 and 2.496 thousand EUR in 2020.

Revenue structure in 2021

- 343 thousand EUR (2.3%) of turnover was generated by the Company in 2021 through the sale of products and services on the domestic market
- 3.218 thousand EUR (21.1%) of turnover was generated by the sale of products and services in the EU market
- 8.314 thousand EUR (54.6%) of turnover was generated by the sale of products and services outside the EU (world market, of which a significant part was generated in the USA)
- 2.756 thousand EUR (18.1%) of turnover is represented by revenues from EU projects
- 598 thousand EUR (3.9%) represent other sources of income (own products capitalized and other)

TOTAL = 15.229 thousand EUR

Human resources management

In 2021, the Company focused on strategic development projects in the personnel field, which were reflected both internally (employee development) and externally (employer branding).

Employee structure

At the end of 2021, the Company had 141 employees, and in 2020, 75 employees.

Employees on 31/12/2021 according to education (SOK CLASSIFICATION):

	2021	2020
10.	17	9
9.	7	1
8.	34	29
7.	32	14
6.	17	4
5.	26	14
4.	6	4
3.	1	0
2.	1	0
1.	0	0
Total	**141**	**75**

The Company follows the "Zlata nit" program to retain staff and regularly organizes various sports activities (weekly football, hiking, skiing, fitness). The Company also holds regular team building events, which are positively received, and individual departments also participate in various other activities (e.g. slacklining, curling, bowling, climbing and golf courses, karting, rafting, cooking courses).

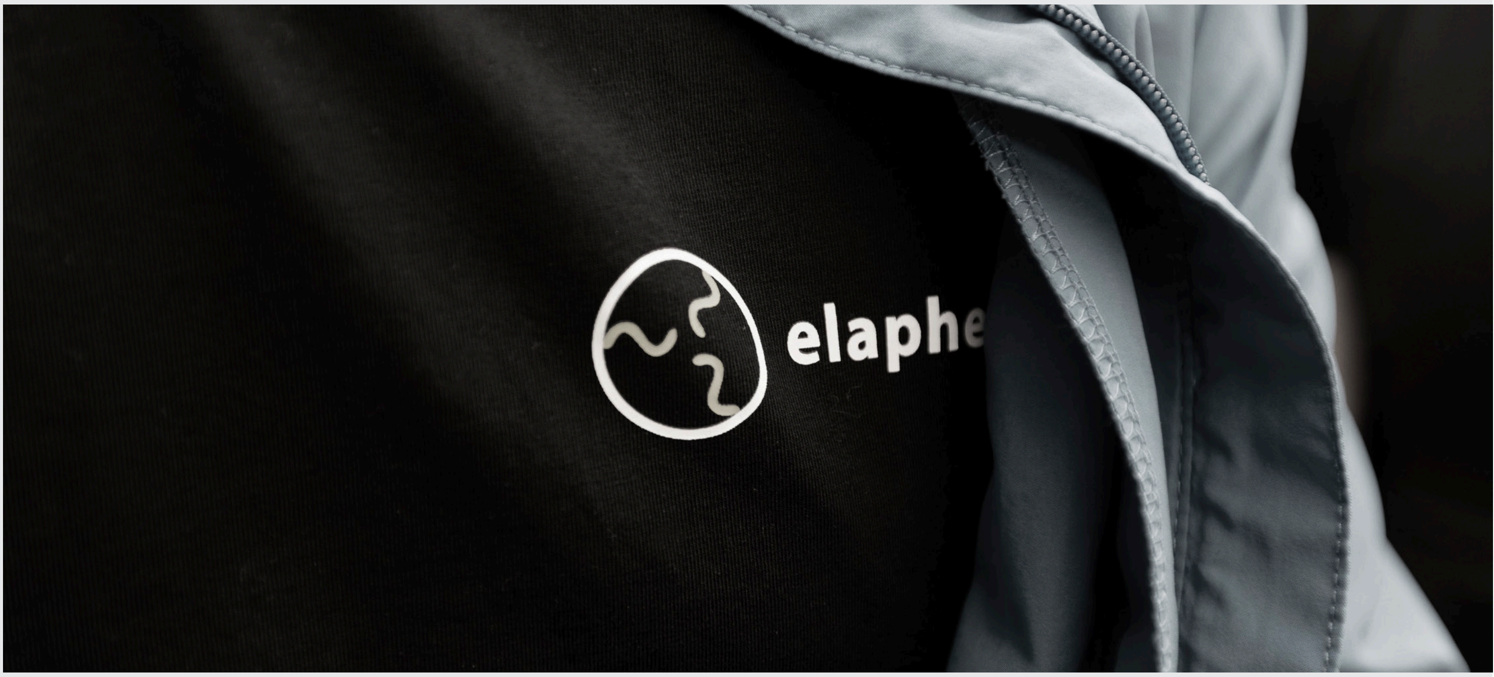
The Company also organized a large number of courses:

- Rhetoric's course
- Safety at work: forklift training, working with high voltage
- Stress management and healthy eating: Omega 3
- Hansen Beck: Change and Leadership - for dept. heads
- Corpohub – for dept. heads
- Coaching with Lucija Sajevec – in progress
- The secret of communication and responsibility for greater success
- Personnel academy – in progress
- Friday academy & Monday morning presentations - occasionally
- Workshop with Dewesoft
- Licenses for test drivers
- Data Driven Management (with Kristjan Pečanec)
- Selection and assessment of suppliers in the automotive industry
- Drawing of electrical diagrams
- IMDS – International Materials Database
- An integrative approach to Procurement 4.0
- Education for IT administration

2022 HR goals

- Strengthen the cooperation with dept. heads (people talks, annual interviews, gathering information centrally)
- Establish a centralized system for the inventory and management of trainings
- Establish a centralized system for monitoring departmental team buildings
- Establish a system for monitoring KPIs (e.g. onboarding interviews after a couple of weeks, exit interviews, surveys... numerical data monitoring)
- Strengthen cooperation with faculties (e.g. guest lecturers, topics for thesis works, topics for seminars, excursions)
- Measure the work climate (upgrade of the "Zlata nit" program)
- Speed up the process of providing feedback during recruitment
- Strengthen cooperation with marketing for better employee branding

In accordance with the third paragraph of Article 70 of the Companies Act ZGD-1-UPB3 with all amendments; to ZGD-1I 21.07.2015) we confirm that the Company does not implement a diversity policy, which is implemented in connection with representation in the management or control bodies of the Company regarding aspects such as gender, age or education.



Company goals

Short-term goals of the Company:

- develop and produce a set of key products and software solutions for identified segments within the new generation of electric vehicles with a focus on the powertrain control unit (PCU), power converters, in-wheel electric motors and related components
- upgrade strong connections with customers to achieve mass production, specifically building a development centre and factory in Slovenia
- expand the product portfolio by releasing new advanced system functions and components, using artificial intelligence, connectivity and support for autonomous vehicles
- robotize and comprehensively digitize production (Industry 4.0) and manage the entire production cycle according to a predefined production process
- continue research and development for strategic partners in the automotive industry and strengthen cooperation and the position in the EU - within the frameworks of EGVI and EPoSS associations or the new 2Zero initiative; also inclusion in the international MiH Consortium
- improve quality and expand the network of partners and suppliers, establish long-term relationships
- build our own Elaphe vehicle or rolling-chassis/skateboard, designed from the bottom up for in-wheel electric motor technology, specifically for autonomous driving and with all the benefits of IOT for the vehicle.

Medium/long-term goals of the Company:

- establish a global network of distribution, suppliers and partners in Europe, Asia and the USA
- have a global market share of 17% and expand the portfolio into heavy trucks
- increase the capacity of production lines for medium-sized "M" motors starting from the M700, for larger "L" type motors starting from the L1500 and other Elaphe in-wheel motors in accordance with Industry 4.0 principles and the further integration of IoT and AI technologies
- continue expanding the product portfolio on the electric vehicle market
- expand cooperation in the field of research and development and the partner and supplier network on a global level

Risk management

An important factor for the successful operation of the Company is also the constant identification and assessment of potential risks - to prepare the appropriate insurance measures against such identified risks or to reduce risk exposure in time.

The business environment in which Elaphe operates is variable. An increase in the number of competitors, supplier market conditions and increased customer demands are part of these changes. Our business efficiency depends on the responsiveness of the Company to the aforementioned and many other changes. Therefore, in these conditions, it is particularly important that the Company is aware of its limitations/potential risks and assesses exposure to various types of risks appropriately.

Strategic risks

corporate management risks (risk of insufficient responsiveness to changes in the business environment or similar). It turns out that the Company is most sensitive to changes in the field of material supply. Improvement in this area is foreseen at all levels: at the level of supply planning and company supply execution as well as at the level of micro-supply for workplaces, which will reduce inventory needs and enable more efficient operations.

risks of competitiveness and customer satisfaction are risks related to the question of what our customers will be like in the medium-term future. These risks deal with the anticipation of customer requirements, their purchasing power, demographic trends and similar aspects. The risk of product and services demand is managed by the dispersion of deals in different mobility industries and among different buyers, both geographically and in terms of deal size.

Elaphe has experience not only with companies that are already generating revenue but also with companies who aren't generating any revenues yet (e.g. companies who haven't launched their first product yet or their vehicle is still being prepared for market launch). The Company has clients from all around the world in its portfolio due to its business strategy. This strategy includes new, not yet established companies for easier market penetration and a faster possibility of obtaining larger deals on the one hand, and already established companies for consolidation in the market and the desire for stable business on the other.

Operational risks

procurement operation risks and supply chain operation risks – the risks that may endanger procurement operation are related to the quality of the delivered products, which the Company controls through supplier quality checks (done by Supplier Quality Managers).

In order to reduce these kinds of risks, the Company has a publicly shareable document called "Elaphe Supplier Quality Manual", where one can find the following chapters:

- Objectives of quality management
- Supplier qualification
- Supplier selection and approval
- Supplier self-assessment
- Work qualification
- Feasibility study
- Quality planning
- Directed materials/suppliers
- Environmental requirements (RoHS, Reach, declaration on supplied materials)
- Serial production
- Procedure in case of non-compliances
- Revisions
- Supplier monitoring
- Supplier escalation process
- Supplier development process
- Change management
- Traceability
- Documentation management
- Logistics processes
- other related documents

An operational risk are also the conditions and methods of doing business. In order to reduce risks, the Company has published such conditions on its official website: Elaphe GTCP. The terms define the following sections:

- Confidentiality
- Quality system
- Quality assurance
- Quality records
- Production review
- Acceptance of terms
- Amendments and changes to purchase orders
- Modifications and changes to goods
- Quantities
- Order tracking
- Delivery date and deadlines
- Quality control
- Marking
- Packaging
- Shipping
- Safety stock
- Delivery note
- Bill
- Terms of payment
- Withholding payment
- Receivables
- Offset
- Ownership
- Irregularities
- Late, partial or over-delivery
- Information
- Customs
- Import/export permit
- Preferential treatment of duties
- Customs clearance
- Origin of goods
- Inspection of goods
- Receipt of goods
- Claims
- Warranty and defects
- Liability for errors
- Warranty period
- Defective goods
- Correction
- Compensation
- Overview
- Cancellation or termination
- Use for production and maintenance
- Insurance
- Termination
- Intellectual property rights
- Violation
- Information
- Transferable rights
- Compensation
- Violation
- Resignation and termination
- Higher force
- Environmental protection requirements
- Criminal liability
- Obligations
- Partial invalidity
- Applicable law
- Place and jurisdiction
- Language

The procurement process is defined by an internal standard that covers the following areas:

- Selection of existing ERP items
- Creation of new ERP items
- Purchasing of standard parts
- Purchasing of non-standard parts (custom)
- Purchase of tangible assets (Fixed assets)
- Purchase of shipping, forwarding and customs clearance services
- Search for suppliers
- Supplier specific data and information
- Supplier-specific purchasing information
- Supplier selection and cost definition
- Necessary documentation
- Creation of purchase order (PO)
- Project and cost centre
- Internal (R&D) versus external (customer/EU) project costs
- Request for approval – RfA
- Sending the PO document
- Receipt of order confirmation – OC from the supplier
- Inbound logistics

The following rules from the above-mentioned internal standard apply to ensure economic efficiency in the execution of the orders:

1. For orders worth up to EUR 1.000, the search for a supplier can be simplified by contacting at least one supplier. An e-mail offer or offer in verbal form from the supplier is required.

2. For orders worth up to EUR 20.000, the supplier search process is similar. At least one official offer from the supplier is required.

3. For orders where the total value exceeds EUR 20.000, the supplier search process must include at least three different suppliers with their official offers/proformas. The criteria for selecting a supplier may vary depending on the price-performance ratio or other specific parameters relevant to the purpose of the purchase. Supplier selection criteria should be archived in a simple written form for traceability purposes.

The Company has a three-level confirmation process to confirm orders:

Project costs	< 300 EUR	< 3.000 EUR	more
Application project	Project manager	Project owner	Project buyer
Prototype project	Project manager	Project buyer	Project buyer
Production project	Production planner	Head of production	CEO

Supporting risks

Equipment risks - risks related to equipment management. They contain risks related to the implementation of investment projects, maintenance of equipment and devices, risks related to qualitative and timely implementation. When selecting suppliers, the Company chooses reliable providers who have already cooperated with Elaphe several times as contractors.

IT risks - risks related to the use of information systems (HW) and their daily support for business processes (SW). The risk is managed by carrying out regular operational activities and establishing appropriate procedures for testing and controlling access to key parts of the information system. In the past year, the Company has supplemented the test environment of the central information system in such a way that it is now possible to test functionality in the context of various user roles.

Damage risks - risks related to the management of harmful events. They contain risks related to the insurance of harmful events (e.g. fire, earthquake, floods, burglaries, etc.).

Financial risks

Financial risks can have a negative impact on the ability to generate financial income and include managing financial expenses/ financial liabilities and maintaining the value of financial assets. The Company manages following risks:

- credit risk,
- solvency risk (liquidity risk),
- currency risk,
- interest rate risk.

Credit risk – our exposure is evaluated as moderate, since all motors and services are paid according to the advance payment principle, and non-payment practically does not occur. Despite this fact, we would obtain additional insurances (bank guarantees) from customers, periodically monitor bad payers and severely limit our exposure to individual customers, if necessary.

Currency risk (loss of economic benefits due to exchange rate changes) - the Company deals with the sale of motors and is exposed to currency risk. Even though the Company pays the majority of its goods in the EU, a significant portion of their sales is realized in the US, with invoices being issued in EUR. We evaluate that our currency exposure is moderate, and that there is no need for additional insurance of our currency risk.

Interest rate risk (the Euribor interest rate is exposed to market fluctuations and changes, which can lead to increased costs of financing) - even though the Company's exposure to its financial creditors is relatively low, all loans are related to Euribor and to the fixed interest rate premium. Even if the reference interest rate were to increase, we still assess that this would not have an important influence to our capacity of paying our loans, meaning that the interest rate risk is evaluated as very low.

Solvency risk (a risk that the Company will not have enough liquid assets to pay its current liabilities at a given moment) – our exposure is evaluated as low.

As at 31/12/2021, the Company also has a surplus in short-term assets over short-term liabilities amounting to EUR 3,406 thousand.

More on the topic of financial risks is disclosed in the accounting section under point 25. - Financial risks and financial instruments.

Compliance risks

Tax risks - compliance with tax requirements.

Health and safety risks at work - risks due to which employees cannot (normally) perform their work, which may cause them to be injured, fall ill, and which may cause damage to equipment and/or damage to facilities. The risks related to inspection controls represent possible (potential) penalties that we can receive based on identified non-conformities. In 2021 no key risks were identified (assessed) in this area, but the Company continues with regular annual inspections of units and with all statutory activities in the fields of safety at work and fire protection.

Environmental risks - risks related to recognized environmental aspects: the use of raw materials and energy, waste and others. They consist of risks related to less efficiently designed business processes, risks related to environmental penalties, risks related to emergency situations (fires, floods, etc.) and risks related to negative public opinions in the field of environmental protection. The Company informs and educates employees about the efficient use of energy on a regular basis.

The Company estimates that as of 31/12/2021, the overall exposure to strategic, financial, operational and supporting risks is at a moderate level.

Business risk

Depending on the activity in which it operates, a successful operation of the Company is largely dependent on the general economic conditions on the market in which the Company is active.

Exchange rate and method of conversion to local currency

When converting economic categories into the domestic currency, the ECB reference rate is used in all cases.

Transactions in foreign currency

Transactions denominated in a foreign currency are converted into the functional currency at the exchange rate on the day of the transaction. Cash assets and liabilities denominated in foreign currency at the end of the reporting period are converted into the functional currency at the then valid ECB reference rate. Positive or negative exchange differences are recognized in profit or loss.

Events after the date of the balance sheet

- We began implementing the accounting model of the GO SOFT system.

- In 2022, the Company purchased a plot of land in Brnik, in the Municipality of Cerklje na Gorenjskem, in order to build a new production complex. The investment project which will be realised in 2023-2025 will enable the optimization of our production and purchasing processes, thus contributing to meeting our sustainable goals in a broader sense, in the local and global industry. The investment project will allow Elaphe to benefit from an environment favorable for its growth pursuant to market needs and expectations. In Q4 2023, the Company reviewed its strategy, postponed the plan for the construction of said new complex, and decided to sell the plot of land.

- In 2023, two of our important customers, i.e. Atlas Technologies from the Netherlands, with whom we have developed an extensive cooperation in the field of the development of the Lightyear One vehicle, and Lordstown Motors from the US, have declared bankruptcy. In line with the standards, the Company performed a total impairment of the entirety of its exposure to both customers. The impairment amounts are not materially significant for the Company. Otherwise, the Company did not have a significant balance sheet exposure, which means that, practically speaking, this situation does not have an important impact on the balance sheet. In terms of its business operations, the Company has adopted necessary measures and adapted its strategy.

- The Company is developing algorithms and software for an improved driving dynamic, which contributes to a significant improvement of the value of its solutions, at an accelerated pace. Our strategy also increasingly focuses on collaborating with traditional vehicle manufacturers who are showing increasing interest.

Ljubljana, 09 January 2024

Company management statement

The Company is publishing its management statement here as a special point of the business report (separate report), together with the annual report.

Governance Code

Elaphe LTD complies with the basic level of the Governance Code for non-public companies, issued by the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology and the Slovenian's Directors Association, available on the websites of these organizations. At the same time, the Company states that it deviates from the Governance Code (basic level) in two points according to the first and second indents of point 1 of paragraph 5 of Article 70 of the current Companies Act:

- The Articles of Association and the Rules of Procedure (of the management body, supervisory body and general assembly) are not published on the Company's website. This means that, in accordance with the Code, these documents are not accessible in a user-friendly format that allows for normal reading and text searching.

In accordance with point 3 of Article 70 of the Companies Act, we explain that in the last two years the Company has been thoroughly working on establishing a good control environment. A controlled environment is the foundation on which all other components rest, it provides the atmosphere in which the organization lives. The Company is actively working on its risk assessment. The Company is also setting up and defining control activities that enable the management to make sure their directions and goals are actually implemented in accordance with all the rules. Moreover, the Company is setting up an active monitoring of the controls in order to have a clear view on their effectiveness. Using a new ERP accounting information system, the Company will once again in the coming short-term period redefine controls, especially in the field of accounting reports (internal/external).

The main control objectives are:

- effective implementation of management decisions and individual actions,
- rational use of funds and their protection against loss due to negligence, abuse, mismanagement, mistakes, fraud and other irregularities,
- business operations execution in accordance with laws, regulations and management instructions,
- providing and maintaining timely, comprehensive and reliable accounting data and other information and their fair disclosure in reports,
- ensuring equal opportunities and protecting the environment.

The Company has one CEO and one holder of the procuration. The CEO is entered in the court register as a legal representative without restrictions.

Gorazd Lampič

CEO of Elaphe LTD

Gorazd Gotovac

Holder of the procuration of Elaphe LTD

END OF ELAPHE 2021 ANNUAL REPORT

SECTION

B

elaphe

Financial report 2021

The Management confirms the annual report and financial statements for the year that ended on 31/12/2021 and the applied accounting guidelines and clarifications to the financial statements of Elaphe d.o.o. (hereinafter referred to as "Company").

Statement of the management

Pursuant to Article 60.a of the Companies Act (the ZGD-1-UPB3 together with the amendments; ZGD-1I up to 24/07/2015), the Management of the Company guarantees that the annual report of the Company, including its Management Declaration, has been prepared pursuant to the Companies Act (the ZGD) and the International Financial Reporting Standards adopted by the European Union.

The Management declares that:

the 2021 financial report of the Company is drawn up in accordance with the applicable legislation and the International Financial Reporting Standards, as adopted by the European Union, and that it gives a true and fair view of the Company's assets and liabilities, its financial position and its profit and loss statement. The financial report gives a fair view of the Company's development, operating results and its financial position.

The date of approval of the financial report by the Management is 09/01/2024.

The Management hereby certifies that the appropriate accounting policy has been applied, and the accounting valuations have been made on the principle of providence and due care and diligence.

The Management is likewise responsible for the correct running of the accounting, for the adoption of appropriate measures in respect to the insurance of its assets, and for preventing and exposing frauds and other irregularities or illegalities.

Tax authorities may audit the business operations of the Company any time within five years after the end of the year in which tax needs to be levied, which may give rise to additional obligations to pay taxes, interests on late payment, corporate income tax penalties and other taxes and duties. The Company's Management is not familiar with circumstances that could give rise to a possible significant liability due to the above.

Gorazd Lampič

CEO of Elaphe, d. o. o.

Gorazd Gotovac

Holder of the procuration of Elaphe, d.o.o.

Deloitte.

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia

Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owners of Elaphe d.o.o.

Qualified opinion

We have audited the financial statements of the company Elaphe d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at December 31 2021 and total comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Qualified opinion

Inventory

We were appointed auditors of the company for 2021 on February 13, 2023 and therefore did not observe physical inventory counts at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held and recognized in the statements of financial position as of December 31, 2020 and 2021 respectively. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

Comparative financial information

After publishing the audited financial statements for the year ended December 31, 2020, the company's management identified material misstatements in the financial statements. In the financial statements for the year ended December 31, 2021, the management corrected the identified misstatements by recalculating the amounts in the statement of financial position as of January 1,2021, and the effect was shown directly in equity in the retained earnings. Management did not correct a material misstatement in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, which requires recalculation of the comparative statement of comprehensive income, the comparative statement of

MAKING AN IMPACT THAT MATTERS since 1845

Deloitte.

changes in equity and the comparative statement of cash flows. In addition, the management has not determined whether the identified misstatements also refer to periods before January 1, 2021. Because of the above, we were not able to satisfy ourselves of the amount of necessary corrections to the comparative statement of total comprehensive income, the comparative statement of changes in equity and the comparative statement of cash flows, and whether recalculations of the opening balances of the comparative period would also be necessary and in what amount.

We conducted our audit in accordance with International Standards on Auditing. 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, 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 qualified audit opinion.

Other matter

The financial statements of the Company for the year ended December 31, 2020, were audited by another auditor who issued unqualified audit opinion dated August 10, 2021.

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, we did not identify any material misstatement of fact related to the other information. As explained in the Basis for Qualified Opinion section of our report, we were not able to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows and in respect of material misstatement related to comparative financial information we were not able to determine the amount of necessary corrections to the comparative statement of total comprehensive income, the comparative statement of changes in equity and the comparative statement of cash flows, and whether recalculations of the opening balances of the comparative period would also be necessary and in what amount. Based on that we are not able to conclude on the amount of necessary adjustments to other information, resulting from the above-mentioned matters.

Deloitte.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends 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 and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules 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 auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 controls.
- 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 organization to cease to continue as a going concern.

Deloitte.

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

DELOITTE REVIZIJA d.o.o.

Tina Kolenc Praznik
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, January 15, 2024

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

	Note	31/12/2021 (revised)	31/12/2020 (corrected)	01/01/2020 (revised)
Non-current assets		**20,779**	**15,307**	**11,682**
Property, plant and equipment	10	3,546	2,830	2,342
Non-current deferred development costs	11	6,447	6,904	8,270
Non-current property rights	11	203	32	77
Deferred tax receivables	12	288	283	7
Non-current financial investments	13	493	493	986
Other non-current deferred assets	14	9,802	4,765	0
Short-term assets		**9,848**	**4,479**	**1,877**
Inventories	15	2,825	1,271	1,163
Trade and other receivables	16	2,761	1,077	654
Short-term loans granted	17	9	12	10
Cash and cash equivalents	18	4,253	2,119	50
TOTAL ASSETS		**30,627**	**19,786**	**13,559**
CAPITAL	19	**13,652**	**10,451**	**9,996**
Share capital		31	31	31
Revenue reserves		10,149	10,099	10,099
Reserves for own shares		41	47	47
Own shares		(41)	(47)	(47)
Net profit or loss brought forward		324	-288	887
Net profit or loss for the year		3,148	609	-1,021
LIABILITIES		**16,975**	**9,335**	**3,563**
Non-current liabilities		**10,257**	**6,433**	**814**
Non-current financial liabilities	20	1,016	1,589	777
Non-current deferred revenues	21	9,154	4,788	0
Provisions	22	87	56	37
Short-term liabilities		**6,718**	**2,902**	**2,749**
Operating and other liabilities	23	6,048	2,452	1,501
Short-term financial liabilities	24	555	350	1,248
Corporate tax		115	100	0
TOTAL CAPITAL AND LIABILITIES		**30,627**	**19,786**	**13,559**

STATEMENT OF COMPREHENSIVE INCOME FROM 1/1 TO 31/12.

		2021	2020
INCOME FROM CONTRACTS CONCLUDED WITH CUSTOMERS	2	**11,875**	**5,114**
OTHER OPERATING REVENUE	3	**3,353**	**1,763**
COSTS OF GOODS, MATERIALS AND SERVICES	4	**(5,463)**	**(1,799)**
Purchase value of goods sold and material costs		(3,333)	(982)
Costs of services		(2,131)	(817)
LABOUR COSTS	5	**(4,697)**	**(2,582)**
Costs of wages and salaries		(2,027)	(1,124)
Costs of social security contributions		(2,327)	(1,228)
Other labour costs		(342)	(229)
WRITE-OFFS	6	**(1,701)**	**(1,303)**
Depreciation and other value write-offs		(1,701)	(1,303)
OPERATING PROFIT OR LOSS		**3,368**	**1,194**
Financial revenues	7	23	279
Financial expenses	8	(44)	(906)
FINANCIAL RESULT		**(21)**	**(627)**
PROFIT BEFORE TAX		**3,347**	**567**
TAX	9	**(199)**	**176**
NET PROFIT OR LOSS FOR THE YEAR		**3,148**	**743**
Other comprehensive income			
Unrealized actuarial gains and losses		**0**	**0**
Total comprehensive income in the accounting period		**3,148**	**743**

Notes to the financial statements are part of the financial statements and should be read in conjunction with them.

in EUR thousands	31/12/2021	31/12/2020
Net profit for the current year	3,148	743
Net profit or loss brought forward	324	(612)
Long-term deferred costs of development at the cut-off date	-6,447	-6,904
Balance sheet profit	**- 2,975**	**-6,773**

In accordance with Article 66, Paragraph 4, of the applicable Companies Act, balance sheet profit is defined as the total of the net profit or loss for the accounting period and the coverage of the loss due to capital reserves, revenue reserves and due to loss carried forward. The balance sheet profit for 2021 amounting to EUR 3,471 thousand was allocated to other revenue reserves.

		2021	2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**	**3,848**	**3,311**
a)	**Pre-tax profit/loss**	**4,030**	**2,247**
	Operating revenues (except for revaluation) and financial revenues from trade receivables	15,251	6,845
	Operating expenses without depreciation (except for revaluation) and financial revenues from trade liabilities	(11,221)	(4,773)
	Income tax and other taxes not included in operating expenses	0	176
b)	**Changes in net working assets (and accrued costs and deferred revenues, provisions and deferred tax receivables and liabilities) of the balance sheet operating items**	**(183)**	**1,063**
	Opening minus closing operating receivables	(1,803)	(453)
	Opening minus closing short-term deferred costs and accrued revenues	(23)	101
	Opening minus closing inventory	(1,652)	(56)
	Closing minus opening operating debts	3,531	1,723
	Closing minus opening accrued costs and deferred revenues and provisions	35	24
	Closing minus opening tax liabilities	(272)	**0**
c)	**Positive or negative cash flow from operating activities (a + b)**	**3,848**	**3,311**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**	**(1,767)**	**(432)**
a)	**Cash receipts from investing activities**	3	**0**
	Cash receipts from the disposal of financial investments	3	0
b)	**Cash disbursements from investing activities**	**(1,770)**	**(432)**
	Outflows for the acquisition of intangible assets	(303)	(1)
	Expenditures for the acquisition of tangible assets	(1,467)	(430)
	Outflows for the acquisition of short-term financial investments	0	(2)
c)	**Positive or negative net cash flow from investment activities (a + b)**	**(1,767)**	**(432)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**	**53**	**(810)**
a)	**Income from financing activities**	**310**	**871**
	Cash receipts from paid-in capital	50	0
	Income from increase of non-current financial liabilities	42	0
	Income from increase of short-term financial liabilities	218	871
b)	**Expenditures from financing activities**	**(257)**	**(1,681)**
	Outflows for given interests from financing activities	(4)	(20)
	Expenditures from lease repayments	(3)	0
	Cash repayment of financial liabilities	(250)	(1,661)
c)	**Positive or negative net cash flow from financing activities (a + b)**	**53**	**(810)**
D.	**Final cash balance**	4,253	**2,120**
x)	Cash performance in the period (sum of Ac, Bc and Cc)	2,134	**2,069**
y)	Initial cash balance	2,120	**50**

Notes to the financial statements are part of the financial statements and should be read in conjunction with them.

STATEMENT OF CHANGES IN EQUITY IN 2021

	Share capital	Capital reserves	Reserves for own shares	Own share	Legal reserves	Net profit or loss brought forward	Net profit or loss for the period	TOTAL
Balance at the end of the previous reporting period (31/12/2020)	**31**	**10,096**	**47**	**-47**	**3**	**0**	**609**	**10,739**
Retroactive conversions (error corrections)	**0**	**0**	**0**	**0**	**0**	**-288**	**0**	**-288**
Initial balance of the reporting period (01.01.2021)	**31**	**10,096**	**47**	**-47**	**3**	**-288**	**609**	**10,451**
Changes in shareholders' equity	**0**	**50**	**0**	**0**	**0**	**0**	**0**	**50**
Other changes in equity	**0**	**50**	**0**	**0**	**0**	**0**	**0**	**50**
Total comprehensive income for the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**3,148**	**3,148**
Entry of net profit or loss for the reporting period	0	0	0	0	0	0	3,148	**3,148**
Changes in equity	**0**	**0**	**-7**	**7**	**0**	**609**	**-609**	**0**
Reallocation of the remaining amount of net profit to remaining capital components	0	0	0	0	0	609	-609	**0**
Loss compensation as deductible component of equity	0	0	0	0	0	0	0	**0**
Other changes in capital	0	0	-7	7	0	0	0	**0**
Closing balance for the reporting period as of 31/12/2021	**31**	**10,146**	**41**	**-41**	**3**	**324**	**3,148**	**13,652**

Notes to financial statements are an integral part of financial statements and should be read in conjunction with them.

STATEMENT OF CHANGES IN EQUITY IN 2020

		Share capital	Capital reserves	Legal reserves	Reserves for own shares	Own shares	Net profit or loss brought forward	Net profit or loss for the period	TOTAL
A.1.	**Balance at the end of the previous reporting period (31/12/2019)**	**31**	**10,096**	**3**	**48**	**-48**	**887**	**-1,021**	**9,996**
A.2.	**Initial balance of the reporting period (01.01.2020)**	**31**	**10,096**	**3**	**0**	**0**	**887**	**-1,021**	**9,996**
B.2.	**Total comprehensive income for the reporting period**	**0**	**0**	**0**	**0**	**0**	**0**	**743**	**743**
a)	Entry of net profit or loss for the reporting period	0	0	0	0	0	**0**	**743**	**743**
B.3.	**Changes in equity**	**0**	**0**	**0**	**0**	**0**	**-887**	**887**	**0**
č)	Loss compensation as deductible component of equity	0	0	0	0	0	-1,021	1,021	**0**
f)	Settlement of loss brought forward	0	0	0	0	0	134	-134	**0**
C.	**Closing balance for the reporting period as of 31/12/2020**	**31**	**10,096**	**3**	**48**	**-48**	**0**	**609**	**10,739**

Notes to financial statements are an integral part of financial statements and should be read in conjunction with them.

BASIS FOR THE PRESENTATION OF FINANCIAL STATEMENTS AND PLANS FOR FUTURE OPERATIONS

Enclosed financial statements have been prepared on a going concern basis, meaning that assets are acquired and liabilities are settled under normal operating conditions. The financial statements contain no adjustments which would be necessary if the going concern assumption did not apply.

The Company's management estimates that such presentation of financial statements is appropriate due to reasons presented in the following text. As shown in the balance sheet and in the profit and loss statement for the year that ended on 31/12/2021, the Company ended the 2021 financial year with a positive result after tax in the amount of EUR 3,148 thousand. Compared to the previous years, the company has a similarly high operational cash flow (EBITDA) in relation to revenues achieved. The above results show that the Company can achieve a stable growth and thus increase the long-term value of the Company.

Disclosure of financial statement items pursuant to the requirements of the ZGD-1 and the IFRS

Declaration of Conformity

On 24/04/2023, the General Assembly of Elaphe d.o.o. adopted, pursuant to Article 54, Paragraph 11, of the Companies Act (the ZGD-1), the Decision on the amendment of the accounting framework and on the transition from the Slovenian Accounting Standards (SRS) to the International Financial Reporting Standards (IFRS) as adopted by the EU. The transition took place on 01/01/2020, meaning that the first annual report prepared pursuant to the IFRS is the annual report for 2021, and that comparative data for 2020 have been recalculated accordingly pursuant to IFRS 1. Pursuant to IAS 8, the Company discloses comparative data as if they have been already accounted for pursuant to the IFRS (IFRS 1) in the past (before 2021).

Basis for measurement

Financial statements were prepared in observance of the historical cost.

Functional and reporting currency

The enclosed financial statements have been prepared in EUR, i.e. the functional currency of the Company. All accounting information presented in EUR were rounded to one thousand units. Due to the fact that value data are rounded up, some insignificant discrepancies in the total shown in the tables may occur.

Grouping

Elaphe d.o.o. does not prepare consolidated financial statements. However, the Company does own a 24.5% share in the company APG-Elaphe Propulsion Technologies Co., Ltd. from China, which is classified as an associate measured at cost.

Associate data as at 31/12/2021:

Registered office and full name:

APG-ELAPHE PROPULSION TECHNOLOGIES CO., LTD.

No.1399 YATAI RD., XIAOSHAN DISTRICT

ZHEJIANG PROVINCE

311203 HANGZHOU-XIAOSHAN, ZHEJIANG, CHINA

Share capital as of 31/12/2021: EUR 14,705.00

Share capital amount as of 31/12/2021: EUR 3,643,612.00

Net profit for the current year from 1/1/ to 31/12/2021: EUR 145,626.00

Ownership share: 24.5%

Use of estimates and evaluations

Preparation of financial statements pursuant to the IFRS requires the management to form certain estimates, judgements and assumptions that have an impact on the use of accounting policies and the disclosed amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates. The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Data on significant estimates of uncertainties and critical assumptions prepared by the management in the process of implementing the accounting policies, and which have the greatest impact on the figures in the financial statements, is described in the following items. Accounting estimate policies, such as the useful life of intangible and tangible non-current assets, impairment of financial assets and impairment of subsidiaries, are described in individual disclosures.

The main estimates and assumptions on the date of the statement of financial position are being taken into consideration when it comes to individual explanations.

For 2021, the financial statements of the Company have been prepared pursuant to the International Financial Reporting Statements, adopted by the EU, and the Companies Act. The basic accounting assumptions of the accruals principle, the going concern basis, and the adherence to a true and fair presentation in terms of a change in the value of EUR and individual prices have been taken into consideration in compiling the financial statements. The qualitative characteristics of financial statements and, as a consequence, of the entire accounting process are, above all, understandability, appropriateness, relevance, reliability and comparability.

Foreign currency

Transactions in foreign currency

Transactions in foreign currencies are converted to EUR at exchange rates effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EUR at the exchange rate effective at that date. The foreign currency gain or loss on monetary items is the difference between the settlement value in the functional currency at the beginning of the period, adjusted for effective interests and payments during the period, and the settlement value in a foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to EUR at the exchange rate effective at the date the fair value was determined. Currency translation differences shall be recognized in the profit and loss statement, except for differences arising from translation of equity instruments classified as available-for-sale, for non-financial liabilities designated as hedges, or for cash flow hedges which are recognized directly in equity.

Associates and subsidiaries

Financial investments in associated companies are valued according to their purchase value, minus any impairments, in individual financial statements.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise operating and other receivables, loans and borrowings, and operating and other liabilities. At the beginning, the Company recognises loans and receivables, as well as savings or deposits, on the date of their creation. The company derecognises a financial asset when contractual rights to cash flows from this asset expire or when the company transfers the rights to contractual cash flows from a financial asset based on a transaction in which all risks and benefits from the ownership of a financial asset are transferred. Any shares in the transferred financial asset created or transferred by the Company is recognized as an individual asset or liability. Financial assets and liabilities are offset and the net amount is recognized in the balance sheet if the Group has a legal right either to settle the net amount or to realize the asset, and at the same time settle the liability.

The Company classifies financial assets according to the contractual properties of cash flows of financial instruments only into the group of financial assets measured at amortized costs, which is also the group for receivables and loans

As a general rule, fair value is determined on three levels:

Level 1: stock exchange price (unadjusted) in active market for identical assets or liabilities

Level 2: information differing from stock exchange prices included at level 1, monitored for the purpose of direct or indirect evaluation of assets or liabilities

Level 3: fair value is determined on the basis of valuation models which took into account subjective variables not publicly available in the market.

For all its financial assets, the Company determines fair value at Level 3 (valuation models).

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at settlement value increased by any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at settlement value using the effective interest method, decreased by any impairment losses. Loans and receivables comprise cash and cash equivalents, loans to other companies and bank deposits, and operating and other receivables.

Non-derivative financial liabilities

At the beginning, financial liabilities are recognized at the trade date, when the Company becomes a contracting party in relation to the instrument. The company derecognises financial liabilities if liabilities set out in contracts are discharged or cancelled or expire. Financial assets and liabilities are offset and the amount is recognized in the statement of financial position if the Company has the official enforceable right to offset the recognized amounts and intends to pay the net amount, or it is officially entitled to offset the amounts and has intent to pay the net amount or realize the asset, and at the same time settle the liability. The Company discloses its non-derivative financial liabilities as other financial liabilities. These financial liabilities are initially recognized at fair value increased by costs directly attributable to the transaction. Subsequent to initial recognition, financial liabilities are evaluated at settlement value using the effective interest method. Other financial liabilities include loans and borrowings, and other operating and other liabilities. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Property, plant and equipment

Upon initial recognition, plant and equipment are valued according to their purchase value increased by costs that may be recognized directly to bringing the assets to the working condition for its intended use.

Reporting and measurement

Plant and equipment are evaluated using the cost model. They are shown at cost, decreased by accumulated depreciation and any accumulated impairment loss. The cost includes costs that are directly attributable to the acquisition of assets. Borrowing costs regarding acquisition or construction of relevant property, plant, or equipment are capitalized if their amount exceeds 3% of the carrying amount of the item for plant and equipment at the beginning of the period. Cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset into a working condition for its intended use, the costs of dismantling and removing the tangible fixed assets and restoring the site on which they are located, and capitalized borrowing costs. The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in the profit or loss.

Assessment of lifespans

Within the Company, property, plant and equipment are depreciated by the straight line depreciation method, using the depreciation rates that reflect estimated useful lives of different assets in the Company. Useful lives and residual value of property, plant and equipment shall be tested annually by internal experts or external independent appraisers based on any events that indicate the need for revaluation of a particular asset.

Subsequent expenditure

The cost of replacing a part of a plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part shall be de-recognized. All other expenditure (e.g. daily servicing) shall be recognized in the profit or loss as soon as they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of respective parts of an item of property, plant and equipment. Leased assets are depreciated by taking into account the lease term and their useful lives, unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Estimated useful lives for the current and comparative periods are as follows:

- Investments in fixed assets owned by third parties for the period of 20 years
- plant and equipment for the period of 10 years

Useful life and other values are re-examined during the preparation of financial statements.

Intangible assets

Intangible assets of the company with finite useful lives are stated at cost, decreased by accumulated depreciation and any accumulated impairment loss.

Subsequent expenditure

Subsequent expenditure related to intangible assets are capitalized only when they increase future economic benefits arising from the asset to which said expenditure relates. All other expenditure shall be recognized in the profit or loss as soon as they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of intangible assets (with the exception of deferred development costs). It shall be recognized from the date the intangible asset is available for use.

Deferred development assets represent capitalized labor costs and other costs intended for research and knowledge in the framework of the plan or project of manufacturing new or significantly improved products or performed services before their creation starts or before economic benefits (costs) are obtained. Deferred development costs are depreciated pursuant to the realization of the revenues of product in relation to which they were created.

Leased assets

A lease in which the Company overtakes all necessary forms of risk and benefits related to the ownership of the asset are treated as right to use. Upon initial recognition, the leased asset shall be reported at an amount equal to the lower of either fair value or the present value of the sum of minimum lease payments. Subsequently to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets shall not be reported in the statement of financial position of the company.

At inception of an arrangement, the company determines whether the arrangement represents or includes a lease. A specific asset is the subject of a lease if the fulfillment of the arrangement depends on the use of that specific asset. The arrangement transfers the right to use the asset if the arrangement conveys to the company the right to control the use of the underlying asset. At inception or reassessment of the arrangement, the company separates payments and other consideration required by such arrangement into lease payments and payments for other elements, based on their relative fair values. If the company concludes that payments cannot be separated reliably, the asset and liability from finance lease are, in case of financial lease, recognized at an amount equal to the fair value of the asset defined as the lease subject. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognized by using the company's incremental borrowing rate of interest. IFRS 16 "Leases", published by the IASB on 13 January 2016. Under IFRS 16, the lessee recognizes the right to use an asset and liabilities under the lease. The right to use an asset is treated in a similar way to other non-financial assets and is, consequently, subject to depreciation. A lease obligation is initially measured at the current value of the lease paid during the lease period, discounted at the implicit interest rate if it can be determined immediately. If it cannot be determined immediately, the lessee must use the assumed lease interest rate. The same as with IAS 17, which was replaced by IFRS 16, the lessor shall classify each lease as an operating or finance lease, depending on its nature. The lease is classified as a lease if nearly all risks and benefits which are connected with the ownership of the asset are transferred with the lease. Otherwise, a lease is classified as an operating lease. A lessor recognizes financial income over the lease term of finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Inventories

The initial recognition of material is recognized according to its original value. Inventories of materials are evaluated according to their original value or net realizable value, whichever is lower. The company completely impairs all inventories (materials, semi-finished products, finished products – motors) older than 3 years.

Methods of calculating the cost of inventories and relevant expenses:

- the FIFO method for materials, semi-finished products and finished products.

The inventories of materials, semi-finished products and finished products are recognized at their original value which encompasses the purchase price, import duties and other non-reimbursable duties upon purchase, as well as direct ordering costs. The purchase price is decreased by discounts obtained. Net realizable value is equal to the estimated selling price in the ordinary course of business, decreased by the estimated costs of completion and sales. The estimation of the realizable value of inventory is conducted at least once a year, upon the preparation of the company's annual financial statements. Write-offs and partial write-offs of damaged, expired and useless inventories are regularly performed during the year on specific items. At the end of the year, inventories are impaired as of 31.12 by groups of related or connected items depending on their age or obsolescence.

Impairment of assets

Non-derivative financial assets

For each financial asset that is not recognized at its fair value through profit or loss, an assessment is made at the reporting date to determine whether there is objective evidence of impairment of the asset. Financial asset is deemed impaired if there is objective evidence indicating that after the initial recognition of the asset, there was, due to one or a number of events, a decrease of expected future cash flows from this asset which can be reliably measured. Objective evidence of financial asset impairment can be the following: non-fulfillment or breach by a debtor; restructuring of an amount owed to the company subject to the company's consent; indications of bankruptcy of a debtor; deteriorated solvency of borrowers or securities issuers in the company and economic conditions that correlate with the disappearance of an active market for such security.

Loans and receivables

The Company evaluates evidence of impairment of loans and receivables individually and collectively. All significant receivables are individually measured for specific impairment. All individual significant loans and receivables found not to be specifically impaired are collectively assessed for any impairment that has incurred, but has not yet been identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics. In assessing collective impairment, the company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether actual losses arising from current economic and credit conditions can be greater or smaller than suggested by historical trends. Impairment loss in connection with the financial asset carried at amortized cost is calculated as the difference between the carrying amount of that asset and expected future cash flows, including the expected future cash flow from insurance, discounted at historical effective interest rate. Losses are recognized in profit or loss and disclosed in the account of allowance for loans and receivables. Interest on the impaired asset thus continues to be recognized. When subsequent events (e.g. repayment by a debtor) cause the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The review is based on the expected loss model from IFRS 9, and is no longer based on historic or past losses (the "incurred loss" model). Elaphe d.o.o. reviews the percentage of eventual impairments on an annual basis. In terms of historic data and the analysis performed, it has been established that the evaluated losses are insignificant and do not have a significant influence.

Non-financial assets

At each reporting date, the Company reviews the residual carrying amount of its non-financial assets, except for inventories and deferred tax assets, in order to establish the existence of any indicators of impairment. If such indicators exist, the recoverable amount of the asset is determined. Impairment of intangible assets that have indefinite useful lives and are not yet available for use is estimated at each reporting date. Impairment of a cash-generating unit is recognized when its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of the two: value in use or fair value, decreased by costs of sale. When determining the value of an asset in use, the expected future cash flows are discounted to their current value by using the discount rate before tax that reflects regular market assessment of the time value of money and risks that typically occur in relation to the asset. For the purpose of impairment test, the assets that cannot be individually tested are classified in the smallest possible group of assets that generate cash flows from further use and are mostly independent from receipts of other assets and groups of assets (cash-generating unit).

The assets of the Company do not create separate cash flows and are used for several different cash-generating units. The assets of the Group are reasonably and consistently allocated to individual cash-generating units. Their impairment is tested within the scope of testing for impairment of those cash-generating units to which a relevant group asset is allocated.

Impairment is disclosed in the profit and loss statement. Impairment loss recognized in respect of cash-generating units is allocated first to reduce the carrying amount of the goodwill allocated to the cash-generating unit (or group of cash-generating units), and then, to other assets of the cash-generating unit (group of cash-generating units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

The Company evaluates and determines impairment losses in the previous periods at the end of the reporting period and establishes whether the loss has decreased or no longer exists. Loss from impairment is reversed in case there has been a change in assessments, on the basis of which the Group defines the recoverable amount of the asset. The impairment loss is reversed to the amount up to which the asset's increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior periods.

Employee benefits

Other long-term employee benefits – provisions for termination benefits and long-term service awards

In the statement of financial position, the company recognized provisions deriving from future liabilities to employees for long-service awards, calculated in compliance with the collective labor agreement for this industry, and the mandatory retirement benefits as stipulated by legislation. There are no other existing pension liabilities. Provisions are created in the amount of estimated payment of termination benefits and long-service awards, discounted at the reporting date, for the employees in those countries where such payments are required by the local legislation. The calculation is based on the cost of termination pay upon retirement and of all long-service awards expected to be paid until retirement. Calculations are made using the projected unit credit method. Labor costs and interest costs are recognized in the profit and loss statement, whilst recalculated post-employment benefits or unrealized actuarial gains or losses are recognized in other comprehensive income.

Provisions are formed in the amount of the evaluated future payments for retirement allowances and jubilee awards, discounted on the date of the statement of financial position of the Company based on the actuarial calculation. The actuarial calculation is performed for each individual employee. The Company evaluates the situation in terms of provisions every year, based on the actuarial calculation prepared by the authorized actuary.

Termination benefits are recognized as an expense when the company is evidently committed to either terminate employment before the normal retirement date, or to offer payment of termination benefits to encourage voluntary redundancy, namely, as the result of an existing detailed formal plan for employment termination, and when the company does not have a realistic possibility of withdrawal Termination benefits for voluntary redundancies are recognized as an expense if the company has made an offer that would promote voluntary redundancy, if it is probable that the offer will be accepted and if the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after reporting date, the company may discount them to their present value.

Short-term employee benefits

Liabilities for short-term employee benefits are measured without discounting and are recorded under expenses when the work of an employee related to a certain short-term benefit is performed. A liability is recognized in the amount expected to be paid as short-term receipts payable within 12 months after the expiry period for the service provided, or as a profit split programme if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Carrying amounts of provisions reflect the present value of expenditures required to settle obligations. Estimates were delivered by the actuary and the values result from original documentation. Provisions for termination benefits and long-term service awards were developed for the estimated obligations for payment of termination benefits upon retirement and long-service awards as the result of employees' long-term service at the date of the statement of financial position discounted to the present value. Obligations were developed for expected payments. Calculation of obligations took into account the expected salary growth from the calculation date to the retirement of an individual employee and fluctuation of employees. Salary growth comprises career development and the increased salary inflation. Calculation of the present value of obligations took into account the discounted interest rate which matches the market rate on return on Euro denominated corporate bonds by highly-rated issuers. In the following period, the Group does not expect any events that would significantly influence the accounting estimates. The outcome and the period when the legal proceedings related to the developed provisions will be closed are uncertain. Otherwise, the Company does not expect any events that would significantly influence the accounting estimates in the following period.

Onerous contracts

A provision for onerous contract costs is recognized when the expected economic benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Provisions are measured at a present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognizes any impairment loss on the assets associated with that contract.

Revenue

Income from contracts concluded with customers

Revenue from sales of goods, products and materials

Revenue from sales of goods, products and material is recognized at fair value of the received repayment or a relevant receivable, decreased by repayments, rebates for further sale and quantity discounts. Revenues are disclosed when the customer has assumed control over the asset. The possibility of returning goods, products and materials is also considered in this regard. The transfer of control over the asset depends on individual provisions of the sale and purchase contract.

Revenue from services rendered

In the statement of profit or loss, revenue from services rendered is recognized throughout the period, according to the dynamic with which the control or consumption of services is transferred to the customer. The degree of completion transaction is evaluated by the Company with a survey of work performed.

Assets and liabilities from contracts concluded with customers

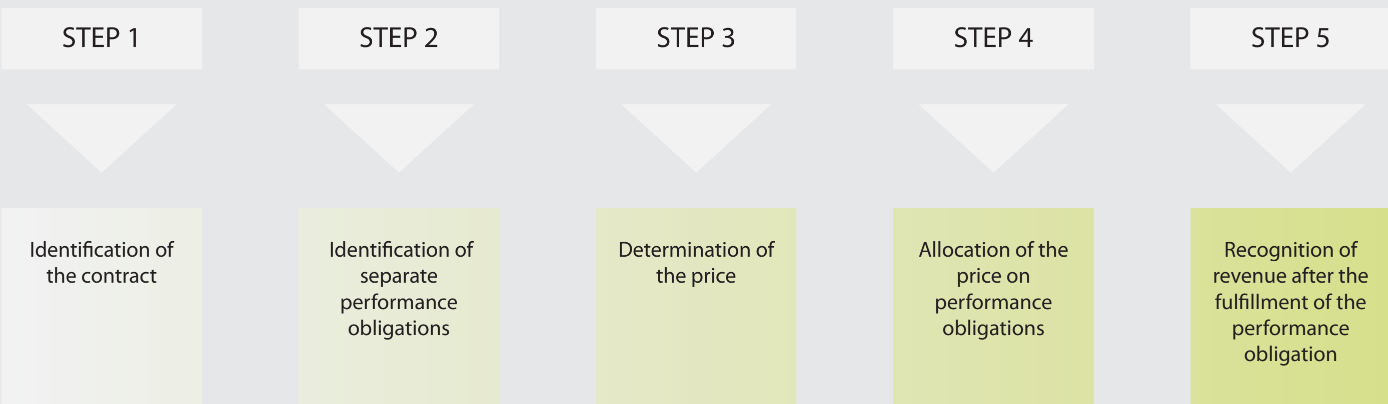
The company delineates revenues for which conditions have not yet been completed for them to be recognized in the statement of profit or loss. Once those conditions are complied with, they are recognized in the statement of profit or loss.

5 steps for recognition of revenue from contracts with customers:

Step 1 - identification of the contract

The contract may be oral, written or arise by implication from business customs and traditions and must meet all of the following criteria:

- it must contain commercial content (the contract shall change the risk, duration or the amount of future cash flow)
- the contract has been approved by all contracting parties who are obliged to meet their respective obligations
- the company may recognize the rights of each individual contracting party for products or services to be delivered
- the company may recognize payment conditions for products and services to be delivered
- it is likely that the company shall receive the amount of compensation in return for the products and services which it shall deliver.
- These criteria shall be used for each individual contract with the customer.



Step 2 - identification of separate performance obligations

A performance obligation is a promise to the customer for the provision of products or services. Each promised product or service is defined as an individual performance obligation, if it is different. Product or service is different if the customer may benefit from the product or service itself or from the combination with other factors which are easily and independently available to it and if the promise of the transfer of the product or service is separable from other promises in the contract.

Step 3 - determination of the price

The price is the amount of compensation expected by the company in return for the delivery of promised products or services. The price can be fixed or variable. The compensation is deemed acceptable if discounts, rebates, bonuses etc. are agreed. If the compensation is acceptable, the Company must evaluate the amount of the compensation. The estimated revenues may only be recognized when it is very likely that no events will occur which could lead to the reduction or loss of revenue.

Step 4 - allocation of the price on performance obligations

In the case of contracts that include several performance obligations, the company distributes the price on individual obligations on the basis of relative independent prices of products or services. If no independent sales prices are available, an estimate must be prepared. It is also necessary to distribute potential discounts to the prices of individual products or services or proportionately between them.

Step 5 - recognition of revenue after the fulfillment of the performance obligation

Revenue is recognized at the moment when the company fulfills its performance obligation. This happens when the company transfers the control of the product or service to the customer. Management means that the customer is able to direct the use of the asset and that it receives all meaningful benefits from the asset and that it can also prevent others from using the assets and enjoying the benefits from the asset. Transfer of control may happen at a given moment or in a given period. In case of contracts where the seller is performing a service over a long time period, revenue is only recognized throughout the entire period of execution of the service if one of the following conditions is satisfied:

- the customer simultaneously accepts and consumes the benefit of the Company's performance during the implementation
- the performance of the Company creates or increases the asset controlled by the customer during its occurrence or increase
- company's performance does not create the asset which could be used by the company for other purposes and the company has an enforceable right to payment for the performance of services so far rendered.

In all other cases, revenue can only be recognized when the performance is completed.

Financial revenues and expenses

The revenue from interest is recognized in profit or loss as it arises, using the effective interest method.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in the profit and loss statement. All borrowing costs are recognized in the profit and loss statement using the effective interest method, except for those attributed to fixed assets under construction. Profit and loss from exchange rate differences are recognized in the net amount.

Income tax and deferred taxes

Income tax on profit or loss for the period comprises current and deferred tax. Income tax is recognized in the profit and loss statement, except to the extent that it relates to items disclosed directly in comprehensive income, in which case it is recognized in equity items. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is disclosed using the balance sheet liability method, taking into account temporary differences between the carrying amounts of assets and liabilities for the purpose of financial and tax reporting. Deferred tax liabilities are recognized in the amount expected to be paid upon reversal of temporary differences, based on the laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred taxes are calculated on all temporary differences using the balance sheet liability method and the tax rate which will enter into force in the following accounting period. If the tax rate changes, the deferred tax receivables and liabilities change appropriately. In the following period, the Company does not expect any events that would significantly influence the accounting estimates.

Use of new and revised International Financial Reporting Standards (IFRS)

Initial application of new amendments to the existing Standards and Interpretation effective for current financial period

The following new standards, amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) are effective for the current financial period:

The following amendments of existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU apply for the current reporting period:

- **Amendments to IAS 16 – Property, Plant and Equipment –** Profit Before Intended Use, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022),
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets –** Onerous contracts – Costs of fulfilling a contract, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022),
- **Amendments to IFRS 3 – Business Combinations –** References to the Conceptual Framework in IFRS 3, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022),
- **Amendments to various standards due to improvements to IFRSs (2018-2020 cycle)** arising from the annual project for IFRS improvement (IFRS 1, IFRS 9, IFRS 16 and IFRS 41), primarily with a view of eliminating non-compliance and interpreting the text, adopted by the EU on 28 June 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after 1 January 2022. The Amendment to the IFRS 16 only refers to an illustrative example, which is why the date of the entry into force is not stated).

The adoption of these new standards, amendments to existing standards, and notes did not provoke any material changes in financial statements of Elaphe d.o.o.

Standards and amendments to the existing standards published by the IASB and adopted by the EU but not yet effective

On the date of approval of these financial statements, the IASB issued the following amendments to the existing standards which have been adopted by the EU but have not yet entered into force:

- **IFRS 17 – Insurance Contracts**, including the amendments to the IFRS 17 issued by the IASB on 25 June 2020 and adopted by the EU on 19 November 2021 (applicable for annual periods starting on or after 1 January 2023),
- **Amendments to IFRS 17 – Insurance Contracts – Initial Application of IFRS 17 and IFRS 9** – Comparative information, adopted by the EU on 8 September 20 22 (applicable for annual periods starting on or after 1 January 2023),
- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023),
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, adopted by the EU on 2 March 2022 (applicable for annual periods starting on or after 1 January 2023),
- **Amendments to IAS 12 – Income Taxes** – Deferred Taxes Related to Assets and Liabilities Arising From a Single Transaction, adopted by the EU on 11 August 2022 (applicable for annual periods starting on or after 1 January 2023).

New standards and amendments to the existing standards published by the IASB but not yet adopted by the EU

At present, IFRSs as adopted by the EU do not significantly differ from regulations adopted by the IASB, except for the following new standards and amendments to the existing standards, which on 30 June 2021 (the effective dates stated below apply for IFRS as issued by IASB):

- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of obligations to short- and long-term (applicable for annual periods starting on or after 1 January 2023);

- **Amendments to IAS 1 – Presentation of Financial Statements** – Non-current Liabilities with Covenants (applicable for annual periods starting on or after 1 January 2024),

- **Amendments to IFRS 16 – Leases** – Lease Liability in a Sale and Leaseback (applicable for annual periods starting on or after 1 January 2024),

- **IFRS 14– Deferral Accounts'** (effective for annual periods beginning on or after January 1, 2016) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Selling or Contributing Funds between the Applicant and its Associate or Joint Venture, and Further Amendments (the date of entry into force is delayed indefinitely until the end of the research project related to equity method).

Additional details on individual standards, their amendments and interpretations, which may be used as appropriate

- **IFRS 17 – Insurance Contracts**, published by IASB on 18 May 2017. The new standard mandates measurements of insurance obligations under the current reference value and introduces a more uniform method for measuring and presenting all insurance contracts. The purpose of the demands is to ensure consistent accounting of insurance contracts based on principles. IFRS 17 replaces IFRS 4 - Insurance contracts and the corresponding explanations. Amendments to IFRS 17 – Insurance Contracts, published by IASB on 25 June 2020, postpone the date of entry into force of the IFRS 17 for two years, to annual periods starting on or after 1 January 2023. In addition, amendments issued on 25 June 2020 also introduce simplifications and explanations of certain requirements of the standard, and also provide additional assistance during the first use of IFRS 17.

- **Amendments to IFRS 3 – Business Combinations** – Reference to the conceptual framework with amendments to IFRS 3, issued by the IASB on 14 May 2020. These amendments: a) update the IFRS 3 to refer to the conceptual framework issued in 2018 instead of the framework issued in 1989; b) add the requirement to the IFRS 3 that the acquirer, for transactions and other events that fall within the scope of IAS 37 or IFRIC 21, uses IAS 37 or IFRIC 21 (instead of the conceptual framework) to define the obligations it has assumed in the business mergers; and c) add an explicit statement to IFRS 3 that the acquirer does not recognize contingent assets acquired in a business combination.

- **Amendments to MSRP 16 – Leases** – Covid-19-Related Rent Concessions after 30 June 2021, published by IASB on 31 March 2021. Those amendments extend the period of use of the practical solution set out in IFRS 16 by one year. The solution was extended in order to encompass rent concessions which only apply for rents falling due on or before 30 June 2022.

- **Amendments to MSRP 16 – Leases** – Lease liability in a sale and leaseback, published by IASB on 22 September 2022. Amendments to MSRP 16 require the seller-lessee to subsequently measure liabilities from lease arising from leaseback, by not having the seller-lessee recognize any amounts of profit or loss related to the right to use which they retain. The new requirements do not prevent the seller-lessee to recognize profit or loss related to partial or full cancellation of lease in their net profit or loss.

- **Amendments to IFRS 17 – Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, published by IASB on 9 December 2021. This amendment is related to a change in a narrow scope of use of transitional requirements of the IFRS 17 for companies who are using IFRS 17 and IFRS 9 simultaneously for the first time.

- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities into Current and Non-current, published by IASB on 23 January 2020. These amendments provide a more broad approach to the classification of liabilities pursuant to IAS 1 based on contractual agreements effective at the reporting date. Amendments to IAS 1, published by IASB on 15 July 2020, postpone the date of entry into force for one year, to annual periods starting on or after 1 January 2023.

- **Amendments to IAS 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies, published by IASB on 12 February 2021. These amendments require companies to reveal their essential accounting policies instead of their significant accounting policies. They contain instructions and examples to assist draftsperson to decide which accounting policies should be revealed in their financial statements.

- **Amendments to IAS 1 – Presentation of Financial Statements** – Non-current liabilities with commitments, published by IASB on 31 October 2022. These amendments explain how the conditions that the Company must comply with within 12 months of the reporting period influence the categorization of liabilities.

- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates, published by IASB on 12 February 2021. These amendments focus on accounting estimates and provide instructions on how to differentiate between accounting policies and accounting estimates.

- **Amendments to IAS 12 – Income Taxes** – Deferred Taxes Related to Assets and Liabilities Arising From a Single Transaction, published by IASB on 6 May 2021. Pursuant to these amendments, the exemption from use upon initial recognition does not apply to transactions in which both deductible and taxable temporary differences occur upon initial recognition, the consequence of which is the recognition of deferred tax receivables and liabilities in the same amount.

- **Amendments to IAS 16 – Tangible Assets** – Profit before Intended Use, published by IASB on 14 May 2020. These amendments prohibit the company from deducting any profits from the sale of the asset, directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the purchase value of a tangible asset. The Company must recognise any profits from the sale of these assets and the costs of their creation in the profit or loss statement.

- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous contracts – Costs of Fulfilling a Contract, adopted by the IASB on 14 May 2020. Pursuant to these amendments, the contract "fulfillment costs" encompass the "costs related directly to the contract". The costs related directly to the contract may be the additional costs of the fulfillment of this contract or the reallocation of other costs related directly to the fulfillment of the contract.

- **Amendments to various standards due to improvements of the IFRS (2018–2020 cycle)**, published by the IASB on 14 May 2020. Amendments to various standards stem from the annual improvement project for IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), and their primary focus is to eliminate inconsistencies and clarify wording. These amendments: (a) explain that a subsidiary which uses the paragraph D16(a) of the IFRS 1 can measure cumulative exchange differences by using the amounts disclosed by the controlling company on the basis of the date of transition of the controlling company to the IFRS (IFRS 1); (b) explain which compensations must be included by the company when performing the "10% test" set out in paragraph B3.3.6. of the IFRS 9 when evaluating whether to derecognise the financial liability. In its calculation, the Company only considers compensations paid or received by the Company (the borrower) and the lender, including compensations paid or received by either one of them on behalf of the other (IFRS 9); (c) the illustration of the reimbursement for the improvement of the leased asset by the lessor is removed from the example in order to clear up any possible confusions in terms of lease incentive considerations which could occur due to the illustration of these incentives in the example (Illustrative example 13 accompanying the IFRS 16); and (č) remove the requirement set out in Paragraph 22 of the IAS 41 stating that, when companies are evaluating the fair value of a biological asset pursuant to the present value method, they must not consider cash flows generated in connection to the taxation (IAS 41).

- **IFRS 14 – Regulatory Deferral Accounts,** published by IASB on 30 January 2014. The aim of the standard is to allow companies that are using IFRS for the first time and are recognizing the legally prescribed invoice payment deferrals in line with the previous SSRN, to continue using such recognition at the transition to IFRS.

- **Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**, published by IASB on 11 September 2014. Amendments relate to the discrepancies of requirements under IAS 28 and IFRS 10 and note that the scope of recognizing profit or loss in a transaction with an associate or joint venture depends on whether the sold or contributed assets represent a business.

Transition to IASF and explanation of an error correction retrospectively

Financial statements for the year that ended on 31/12/2021 have been prepared pursuant to the IFRS requirements, which has been confirmed by the General Assembly of the Company with the decision adopted on 24/04/2023.

Illustration of the differences in the statement of financial position due to the transition to IFRS and retrospective error correction:

in EUR thousands	31/12/2020 (revised)	Corrections	Note	31/12/2020 (corrected)
Non-current assets	**10,809**	**4,498**		**15,307**
Property, plant and equipment	2,222	608	A, C	2,830
Non-current deferred development costs	7,811	-907	D	6,904
Non-current property rights	0	32	A	32
Other non-current deferred assets	0	4,765	B	4,765
Short-term assets	**4,355**	**124**		**4,479**
Inventories	1,218	53	A	1,271
Trade and other receivables	1,006	71	A	1,077
TOTAL ASSETS	**15,164**	**4,622**		**19,786**
		0		**0**
CAPITAL	**10,739**	**-288**		**10,451**
Net profit or loss brought forward	0	-288		-288
LIABILITIES	**4,425**	**4,910**		**9,335**
Non-current liabilities	**846**	**5,587**		**6,433**
Non-current financial liabilities	790	799	C	1,589
Non-current deferred revenues	0	4,788	B	4,788
Short-term liabilities	**3,579**	**-677**		**2,902**
Operating and other liabilities	3,128	-726	A, E	2,452
Short-term financial liabilities	351	49	A	350
TOTAL CAPITAL AND LIABILITIES	**15,164**	**4,622**		**19,786**

The table above only indicates the items that have been amended.

The following differences in the financial statement (financial position) result from the correction of errors:

(A) Corrections (transfer of accounting entries) of items for intangible assets in the amount, among the accounts of tangible assets in the amount of deferred costs and accrued revenues, material provisions, among the account of short-term financial liabilities and the account of other operating liabilities in the amount, among the accounts of liabilities for salaries in the amount, due to the smaller errors discovered in the bookkeeping process, and the consolidation of receivables and liabilities arising from relationships with business partners.

(B) Correction of recognized long-term deferred income amounting to (EUR 4,788 thousand) arising from EU projects and, on the active side of the balance sheet, long-term deferred costs and accrued revenues amounting to EUR 4,765 thousand.

(C) Correction of recognized leases, which means that the right to use assets have increased by EUR 697 thousand, and that financial liabilities arising therefrom in the amount of EUR 799 thousand. The impact on the capital of the Company amounts to EUR -102 thousand as at 01/01/2021.

(D) Newly determined useful lives of deferred development costs, where EUR 907 thousand of negative effect on the active side of the balance sheet was incurred (intangible assets). The impact on the capital of the Company amounts to EUR -907 thousand as at 01/01/2021.

(E) Correction of the recognition of certain liabilities for advance payments received, where liabilities decreased after implementing said corrections.

The effect of all changes of financial statements as at 01/01/2021 after retrospective error corrections which influence the capital of the Company amounts to EUR 288 thousand.

The transition to the IFRS had no effect on the profit or loss from the previous years.

Due to the reporting requirements for the transition to IFRS, the financial statements include data for the reporting period which ended on 31/12/2021, for the comparative period which ended on 31/12/2020 and on 01/01/2020. This is the first annual financial statement prepared in line with IFRS.

Tax policy

The tax statements of the Company have been prepared pursuant to the International Financial Reporting Standards and the Corporate Income Tax Act. In 2021, no special amendments of the tax legislation occurred which would have an important influence on the Company's corporate income tax calculation for 2021. In 2021, the Company made a corporate income tax calculation correction for the past years, due to retroactive error conversion.

Pursuant to Corporate Income Tax Act, the tax base of the Group is the profit (loss) as the surplus of revenues (expenses) over expenses (revenue), where the basis for recognition in a tax statement are still the revenues and expenses as shown in the profit and loss statement, determined on the basis of legislation or accounting standards.

When calculating corporate income tax, companies can exercise the following tax relieves to decrease their tax base:

- relief for employment of disabled persons amounting to 50% or 70% of the salary of disabled persons,
- relief for performance of the practical part of vocational education,
- relief for voluntary supplementary pension insurance,
- relief for donations,
- relief for investments in equipment and intangible assets amounting to 40%,
- relief for investments in research and development,
- relief for employment of unemployed persons under 26 or over 55 years of age.

The Company can also reduce its tax base based on tax losses from the previous tax periods.

Deferred taxes

Deferred taxes are calculated on all temporary differences using the balance sheet liability method and the tax rate which will enter into force in the following accounting period. Deferred taxes as at 31/12/2021 are calculated with a tax rate of 19% which will also apply in 2022. If the tax rate changes, the deferred tax receivables and liabilities change appropriately.

Deferred tax receivables arising from the impairment of receivables (basis: EUR 1.518 thousand) = EUR 288 thousand

The Company has no liabilities arising from deferred taxes.

Income from contracts concluded with customers

Analysis of revenue by categories:

Income from contracts concluded with customers	**2021**	**2020**
Income from contracts concluded with customers on the domestic market	343	123
Income from contracts concluded with customers in the EU market	3,218	3,038
Income from contracts concluded with customers outside of the EU	8,314	1,954
Total income from contracts concluded with customers	**11,875**	**5,114**

The net sales turnover in 2021 amounts to EUR 11.875 thousand, which is 132% more than in 2020. The most revenue in 2021 was generated on foreign markets (in the US).

Other operating revenues

Revenues arising from capitalized own products (equipment) and samples obtained free of charge also count among other materially important operating revenues in 2021.

Other operating revenues	**2021**	**2020**
Revenues from co-financed projects	2,756	1,529
Revenues - COVID subsidies	8	0
Revenues from subsidies	10	0
Income from rent	6	0
Revenues from capitalised own products (equipment)	306	234
Other operating revenues (removal of adjustments/provisions)	29	0
Revenues - used samples obtained free of charge	201	0
Other operating revenues	37	0
Total other operating revenues	**3,353**	**1,763**

Costs of goods, materials and services

The costs of goods, material and services include all costs of the purchase value of sold volumes of goods, material and services, which were incurred in relation to the performance of the operating process of the company.

The analytical outline of the mentioned item contains the following costs:

	2021	**2020**
a.) Cost of sold goods and materials and costs of materials used	**3,333**	**982**
b.) Costs of services:	**2,130**	**817**
Rents	9	41
Costs of subcontractors in production, cooperation	556	173
Costs of transfers	274	18
Bank costs/cards and insurances	30	21
Costs of the student recruitment service and daily allowances	287	92
Representation costs	37	13
Costs of legal, accounting and intellectual services	135	35
Maintenance costs	99	41
Costs of mail and telephone	27	15
Costs of other services	6,877	369
Total costs of goods, material and services	**5,463**	**1,799**

Labor costs

Labor costs are costs of salaries and salary compensations, costs of social and pension insurances and other labor costs. The Company has no expenses for services/work related to recruitment agencies on the basis of recruitment contracts and the number of employees, considering the number of working hours based on these contracts. Compared to 2020, labor costs increased in 2021 due

	2021	**2020**
Costs of wages and salaries	2,027	1,124
Pension and social security costs	2,327	1,228
Other labour costs (annual leave subsidy, costs of meals, work-related transportation)	342	229
Total labour costs:	**4,697**	**2,582**

to an increase in the number of employees due to the increased workload.

The management of the Company received EUR 212 thousand for their work in 2022.

Write-offs

The main item in this cost group is the calculated depreciation from intangible non-current assets and tangible assets. Revaluation operating expenses of current assets represent the revaluations of goods inventories and value adjustments of controversial/dubious receivables.

This item can be broken down as follows:

	2021	2020
Depreciation	1,129	1,207
Depreciation (IFRS 16)	270	96
Revaluation operating expenses of current assets	301	0
Total write-offs	**1,701**	**1,303**

Financial revenues

Financial revenues in 2021 and in 2020 are exchange rate differences arising from receivables related to business transactions with the United States of America, which are, however, relatively low.

	2021	2020
Financial revenues from operating receivables (exchange rate differences)	23	279
Total financial revenues	**23**	**279**

Financial expenses

Total financial expenses in 2021 amount to EUR 43,566, while total financial expenses in 2020 amounted to EUR 906,045.

	2021	2020
Financial expenses from loans received from banks	4	14
Financial expenses (IFRS 16, interest)	10	6
Financial expenses from operating receivables (exchange rate differences)	10	26
Financial expenses (impairment of a financial investment)	0	860
Financial expenses (other banking costs)	21	0
Total	**44**	**906**

Income tax:

In accordance with IAS 12, the current and deferred tax is recognized as revenue or expense and included in net profit or loss. In 2021, this amounted to EUR 282 thousand. If the tax relates to items charged or credited to equity, the deferred tax is also charged or credited to equity.

Fluctuation of corporate income tax for 2021 and 2020:

	2021	2020
Total revenues	15,251	7,137
Adjustment of revenues	0	0
Taxable revenues	15,251	7,137
Total expenses	11,904	6,242
Expenses recognised for tax purposes	11,849	6,067
Tax base	2,921	1,070
Covering	0	0
Tax reliefs	1,840	674
Tax base	1,080	396
Deferred tax	0	0
Tax	205	75
Effective tax rate	7%	7%

Property, plant and equipment

As of 31/12/2021, there are no signs of impairment of tangible fixed assets. Fixed assets are not pledged, with the exception of real estate mortgages.

	Buildings	Buildings (PUS)	Equipment	TOTAL
Cost as of 31/12/2020	**1,002**	**0**	**2,265**	**4,422**
Cost as of 01/01/2021	**1,002**	**1,156**	**2,265**	**4,422**
Acquisitions	0	0	1,467	**1,467**
Write-offs	0	0	-1	**-1**
Cost as of 31/12/2021	**1,002**	**1,156**	**3,731**	**5,889**
Value adjustment as of 31/12/2020	**-194**	**0**	**-1,340**	**-1,534**
Value adjustment as of 01/01/2021	**-194**	**0**	**-1,398**	**-1,592**
Depreciation	-38	-270	-502	**-810**
Write-offs/disposals	0	0	1	**1**
Value adjustment as of 31/12/2021	**-232**	**-270**	**-1,899**	**-2,401**
Residual value on 01/01/2021	**808**	**1,156**	**867**	**2,831**
Residual value on 31/12/2021	**770**	**886**	**1,832**	**3,488**

	Buildings	Buildings (PUS)	Equipment	TOTAL
Purchase value as of 1/1/2020	**989**	**1,156**	**1,947**	**4,092**
Acquisitions	12	0	322	**335**
Write-offs	0	0	(4)	**(4)**
Cost as of 31/12/2020	**1,002**	**1,156**	**2,265**	**4,422**
Value adjustment as of 31/12/2019	**(157)**	**(113)**	**(1,006)**	**(1,277)**
Retroactive conversions		**225**	**(15)**	**213**
Value adjustment as of 01/01/2020	**(157)**	**115**	**(1,021)**	**(1,064)**
Depreciation	(37)	(115)	(322)	**(474)**
Write-offs/disposals	0	0	4	**4**
Value adjustment as of 31/12/2020	**(194)**	**0**	**(1,340)**	**(1,534)**
Residual value on 01/01/2020	**833**	**554**	**955**	**2,342**
Residual value on 31/12/2020	**808**	**1,156**	**925**	**2,888**

Non-current deferred development costs and non-current property rights

Deferred development assets represent capitalized labor costs and other costs intended for research and knowledge in the framework of the plan or project of manufacturing new or significantly improved products or performed services before their creation starts or before economic benefits (costs) are obtained. Deferred development costs are depreciated pursuant to the realization of the revenues of product in relation to which they were created.

	Deferred development costs (R&D)	Property and other rights	TOTAL
Cost as of 31/12/2020	**8,101**	**391**	**8,492**
Cost as of 01/01/2021	**8,101**	**391**	**8,492**
Acquisitions	112	190	**303**
Cost as of 31/12/2021	**8,213**	**582**	**8,795**
Value adjustment as of 31/12/2020	**(1,197)**	**(359)**	**(1,555)**
Value adjustment on 01/01/2021	**(1,197)**	**(359)**	**(1,555)**
Depreciation	(570)	(20)	**(590)**
Value adjustment as of 31/12/2021	**(1,767)**	**(378)**	**(2,145)**
Residual value on 01/01/2021	**6,447**	**203**	**6,650**
Residual value on 31/12/2021	**6,447**	**203**	**6,650**

	Deferred development costs (R&D)	Property and other rights	TOTAL
Purchase value as of 1/1/2020	**7,789**	**390**	**8,180**
Acquisitions	312	1	**312**
Cost as of 31/12/2020	**8,101**	**391**	**8,492**
Value adjustment as of 01/01/2020	**(370)**	**(338)**	**(708)**
Depreciation	(827)	(21)	**(848)**
Value adjustment as of 31/12/2020	**(1,197)**	**(359)**	**(1,555)**
Residual value on 01/01/2020	**8,270**	**77**	**8,347**
Residual value on 31/12/2020	**6,904**	**32**	**6,936**

Development costs relate to the following projects:

- Electronics development (propul. cont. unit, inverter, cond. mon)
- L1500, L1600 (motor design, production development, DVP)

Deferred tax receivables

Deferred taxes are calculated on all temporary differences using the balance sheet liability method and the tax rate which will enter into force in the following accounting period. Deferred taxes as at 31/12/2021 are calculated with a tax rate of 19% which will also apply in 2022. If the tax rate changes, the deferred tax receivables and liabilities change appropriately. Deferred tax receivables arising from the impairment of receivables (basis: EUR 1.518 thousand) = EUR 288 thousand

The Company has no liabilities arising from deferred taxes.

Non-current financial investments

	31/12/2021	31/12/2020	01/01/2020
Non-current financial investment in APG-Elaphe Propulsion Tech.	950	950	1,900
Value adjustment	(457)	(457)	(914)
Ownership share	**24%**	**24%**	**49%**
Total	**493**	**493**	**986**

As at 31/12/2021, the Company has a 24% ownership share in the Chinese company APG-Elaphe Propulsion Technologies.

On 31/12/2019, the Company owned 49%; however, in 2020, they sold a 25% ownership share in this Chinese company.

The value of this investment was impaired in 2019, since the company APG-Elaphe Propulsion Technologies created a loss in the amount of EUR 681,651 (RMB 5,330,852) in 2019. The value of the entire capital as at 31/12/2019 amounted to EUR 2,012,091. The Company impaired the investment, and the expenses arising therefrom were recognized in 2019 in the amount of EUR 914,075. In 2020, the corresponding part of the adjustment already made was removed with the sale.

The financial investment is valued at purchase price and is disclosed at purchase value less the impairment.

Other non-current deferred assets

Other non-current deferred assets are undrawn cash assets arising from contracts related to European projects. The grant agreement for initial investments pursuant to a special procedure based on the direct application that the Company filed for the "Elaphe Domovanje inovacij" project in the contract value of EUR 7.1 million of 09/12/2021 by the Ministry of the Economy, Tourism and Sport. Based on this agreement, the Company recognized deferred income in the contractual value and, on the side of non-current deferred assets, undrawn cash assets amounting to EUR 6,937,247 (EUR 194,210 have already been drawn in 2021). Other non-current deferred assets of the Company also include EUR 2,864,564 of deferred undrawn cash assets from EU projects set out to be released in the incoming years. As at 31/12/2021, the total of other non-current deferred assets amounted to EUR 9,801,811.

Inventories

	31/12/2021	31/12/2020	01/01/2020
Inventories of raw and other materials in the warehouse	1,774	640	455
Work in process	489	233	334
Intermediate goods	376	291	371
Products in own warehouse	390	384	0
Non-current inventories of materials and finished products	(204)	(276)	0
Total inventories	**2,825**	**1,271**	**1,163**

Inventories of materials and merchandise are recognized according to their purchase value upon purchase, which consists of the purchase price, as well as all dependent and direct costs. Upon initial recognition, the quantity units of the product or of the unfinished production are evaluated according to variable production costs. Inventories are not reevaluated due to their reinforcement but are reevaluated due to their impairment if their value at the end of the year exceeds their market or replacement value, or if (when it comes to merchandise or products) it is lower than the net realizable value. The net realizable value of inventories necessary for the fulfillment of concluded purchase contracts must be calculated on the basis of contractual prices. Inventories are not pledged or encumbered.

The inventory status includes no non-current inventories (pursuant to Company policy, these are the inventories for which no fluctuation was recorded for more than three years). All non-current inventories are impaired, as at 31/12/2021, in the amount of EUR 203,833. As of 31/12/2021 and 31/12/2020, the book value of inventories does not exceed the net realizable value of inventories. Otherwise, the company completely impairs all inventories (materials, semi-finished products, finished products – motors) older than three years.

	2021	2020
Balance as at 01/01	**276**	**0**
Created adjustment	261	276
Adjustment write-off	(333)	0
Balance as at 31/12	**204**	**276**

Trade and other receivables

Carrying amounts of all trade and other receivables in substantially important amounts match their fair value. Receivables are evaluated at amortized cost.

	31/12/2021	31/12/2020	01/01/2020
Short-term trade receivables from customers in the country	2	1	370
Short-term trade receivables from customers abroad	1,288	842	0
Short-term receivables from the State and the employees	26	15	20
Short-term advance payments made	1,083	85	79
Current deferred receivables for VAT	342	137	38
Prepayments and accrued income	19	(4)	146
Total short-term receivables	**2,761**	**1,077**	**654**

Operating receivables shown in gross amount, adjustment and net amount:

	31/12/2021	31/12/2020	01/01/2020
Gross receivables	1,519	1,050	370
Adjustment of receivables	(228)	(207)	0
Net receivables	**1,291**	**843**	**370**

Fluctuation of the adjustment of the value of receivables:

CORRECTION	2021	2020
Balance as at 31/12	**207**	**0**
Balance as at 01/01	**207**	**0**
Created adjustment	21	207
Balance as at 31/12	**228**	**207**

In 2021, the Company created a new correction amounting to EUR 21,444 for receivables from foreign customers.

Operating receivables to buyers, not taking into account value adjustments, are divided based on their duration as follows:

	31/12/2021	31/12/2020	01/01/2020
Receivables not yet due	1,895	529	179
Maturity of the receivables up to 30 days	78	55	33
Maturity of the receivables from 31 to 60 days	557	326	265
Maturity of the receivables from 61 to 120 days	38	15	12
Maturity of the receivables over 121 days	193	152	165
Maturity of the receivables over 365 days	0	0	0
Total	**2,761**	**1,077**	**654**

With the purpose of controlling the risk of defaults in payment of receivables from customers, we obtain insurances (bank guarantees) from customers and require them to pay advance payments; furthermore, we periodically monitor bad payers and severely limit the exposure to individual customers. We have introduced more active procedures in recovering receivables by regularly monitoring open and outstanding receivables, age structures of the receivables and the changes in average deadlines, so as to keep business operations within the acceptable framework.

Short-term loans granted

	31/12/2021	31/12/2020	01/01/2020
Loans granted to employees	3	4	10
Loans granted to others (legal entities)	6	8	0
Total short-term financial investments	**9**	**12**	**10**

As at 31/12/2021, the Company has granted loans to its employees. The Company has no instruments of securing these loans. Furthermore, the Company also granted a smaller loan to a business partner, which is currently being paid in accordance with the payment plan. The interest rate is a fixed, 4%/year interest rate.

Change in granted short-term loans:

	2021	2020
Balance as at 01/01	**12**	**10**
Increase - new loans granted	3	2
Payments of short-term loans	(6)	0
Balance as at 31/12	**9**	**12**

Cash and cash equivalents

	31/12/2021	31/12/2020	01/01/2020
Cash items in the process of collection	0	1	50
Cash in banks	4,253	2,118	0
Total monetary assets	**4,253**	**2,119**	**50**

The Company has no limit on its transaction account.

Capital

Called-up capital

The share capital of Elaphe d.o.o. as at 31/12/2021 amounts to EUR 30,899.52.

Revenue reserves

Capital reserves consist of payments above the carrying amount, amounting to a total of EUR 10,100,767 (of which EUR 9,993,820 from Zheijang Asia-Pacific Mechanical & Electronic Co., Ltd. in 2016 and EUR 106,947 paid by natural persons (employees of Elaphe)). Furthermore, the Company also has EUR 3 thousand of statutory reserves.

Non-current financial liabilities

	31/12/2021	31/12/2020	01/01/2020
1. Non-current financial liabilities to banks	377	625	320
2. Non-current lease	639	964	457
Total non-current financial liabilities	**1,016**	**1,589**	**777**

Non-current financial liabilities to banks

Fluctuation of non-current financial liabilities to banks:

	2021	2020
Balance as at 01/01	**625**	**320**
Increase	42	305
Payment of non-current loans	(61)	0
Transfer to short-term part	(229)	0
Balance as at 31/12	**377**	**625**

The transfer to short-term part is the short-term part of loans from banks which will mature in 2022.

Loans are secured in the following manners:

- blank bills of exchange with irrevocable declarations and guarantee statements
- maximum real-estate mortgages

In 2021 and in 2020, the interest rates for short-term loans were fluctuating between EUR 6M + 0.5% and EUR 6M + 1.85%.

Non-current financial liabilities from leases

	31/12/2021	31/12/2020
Balance as at 01/01	**1,265**	**457**
Correction of errors	0	698
Transfer from the short-term part	0	104
Long-term lease increase	35	7
Redemptions	(3)	0
Decrease in long-term leases	(376)	0
Transfer to short-term part	(282)	(301)
Balance as at 31/12	**639**	**964**

Leases pursuant to IFRS 16 in the Company are non-current leases of business premises in which the core activity of the Company is being implemented.

IFRS 16 effect in 2021:

Effects in the statement of financial position:	**31/12/2021**
Right to use assets	1,156
Correction value of the right to use assets	(270)
The current value of rights to use assets	**886**
Short-term financial liabilities from leases	276
Non-current financial liabilities from leases	613
Total financial liabilities from leases	**889**
Effects in the total comprehensive income statement:	**2021**
Financial expenses from financial liabilities from leases	(10)
Amortisation of rights to use assets	(270)

Non-current deferred revenues

Non-current deferred revenues are divided into two content sets amounting to a total of EUR 9,154,337.

1. On 09/12/2021, the Company signed the Grant agreement for initial investments pursuant to a special procedure based on the direct application that the Company filed for the "Elaphe Domovanje inovacij" project in the contract value of EUR 7.1 million with the Ministry of the Economy, Tourism and Sport. Based on this agreement, the entire value of the agreement was recorded as deferred revenues amounting to EUR 7,131,457 in 2021. In 2021, the Company reduced its deferred revenues by EUR 9,244, which represents the corresponding part of the depreciation of assets that have been co-funded pursuant to the agreement in question.

2. Furthermore, the Company also recorded EUR 2,032,124 of deferred revenues arising from EU projects which are deregistered in the statement of profit or loss pursuant to the applicable conditions for their recognition according to the agreement and the revenues generated.

Provisions

Non-current provisions are recorded pursuant to the actuarial report prepared by an authorized actuary. In 2021, they have increased by EUR 30,878, according to the actuarial report.

	31/12/2021	**31/12/2020**	**01/01/2020**
Provisions balance as at 1/1	**56**	**56**	**37**
Creation of provisions	31	0	19
Total provisions	**87**	**56**	**56**

The method treats every period of service as a period that increases the additional unit of the right to earnings and in determining the final obligation measures each unit separately. Actuarial assumptions were used in the calculation model, i.e.:

- demographic assumptions (mortality rate, employee turnover rate),
- financial assumptions (inflation, interest rate curve (profitability of bonds), discount rate and the future salary levels within the Company and the Republic of Slovenia).

Mortality tables	Fluctuation (basic)	Inflation	Interest rate curve	Technical interest rate for the discount factor	Future wage growth in the RS	Future real wage growth in the company
SLO 00-02	23.00% p.a.	2.50% p.a.	Slo Govt	Interest rate curve	3.28%	1.50% p.a.

Operating and other liabilities

	31/12/2021	31/12/2020	01/01/2020
Short-term operating liabilities in the State	479	268	271
Short-term operating liabilities abroad	458	139	0
Liabilities for advance payments received from customers	4,586	1,750	1,052
Liabilities towards employees for net salaries and compensations	485	265	178
Short-term accrued costs and deferred revenues	41	6	0
Liabilities to state institutions and other institutions (VAT)	115	24	0
Total short-term operating liabilities	**6,163**	**2,452**	**1,501**

In 2021, an increase for the advance payments received in relation to a project obtained in the United States of America has occurred.

Age structure of liabilities to suppliers:

	31/12/2021	31/12/2020	01/01/2020
Liabilities not yet due	5,822	2,248	1,323
Maturity of the liabilities up to 30 days	101	25	52
Maturity of the liabilities from 31 to 60 days	211	165	111
Maturity of the liabilities from 61 to 120 days	28	14	15
Maturity of the liabilities over 121 days	1	0	0
Total	**6,163**	**2,452**	**1,501**

Short-term financial liabilities

	31/12/2021	31/12/2020	01/01/2020
1. Short-term financial liabilities to banks	273	50	1,144
2. Short-term lease	282	301	104
Total short-term financial liabilities	**555**	**351**	**1,248**

Short-term financial liabilities to banks

	2021	2020
Balance as at 01/01	**50**	**1,144**
Correction (retroactive conversion)	0	50
Transfer from the non-current part	229	0
Increase (cash inflow)	218	326
Redemptions	(224)	(1,470)
Balance as at 31/12	**273**	**50**

Short-term financial liabilities from leases:

	31/12/2021	31/12/2020	01/01/2020
Balance as at 01/01	**0**	**104**	**0**
Error correction as at 01/01	**0**	**49**	**0**
Transfer from the non-current part	282	301	0
Transfer to the long-term part	0	(104)	0
Increase in short-term leases	0	0	104
Balance as at 31/12	**282**	**350**	**104**

Financial risks and financial instruments

The Company is monitoring various types of financial risks to which it is exposed in its business transactions:

- currency risk,
- credit risk,
- interest rate risk.
- solvency (liquidity) risk.

The Company constantly studies and analyses existing and potential new risks, and also implements the measures necessary to control them. The overall risk management activity of the Group is focused on the unpredictable financial market and tries to minimize the potential negative impacts on financial performance of the Group.

This note represents information on exposure of the Group to the risks above and short summary of the financial risk management policy.

Financial risks can adversely effect the ability to generate financial income and include management of financial expenses and obligations and preservation of the value of financial assets.

- Currency risk (loss of economic benefits due to exchange rate changes) - the Company deals with the sale of motors and is exposed to currency risk. Even though the Company pays the majority of its goods in the EU, a significant portion of their sales is realized in the US, with invoices being issued in EUR. We evaluate that our currency exposure is moderate, and that there is no need for additional insurance of our currency risk.

- Credit risk – our exposure is evaluated as moderate, since all motors and services are paid according to the advance payment principle, and non-payment practically does not occur. Despite this fact, we would obtain additional insurances (bank guarantees) from customers, periodically monitor bad payers and severely limit our exposure to individual customers, if necessary.

The highest exposure to credit risks at the date of reporting:

	2021	**2020**
Trade and other receivables	2,761	1,077
Loans granted	9	12

Our trade receivables mainly represent receivables from foreign customers in the field of sale of motors and services; however, the Company receives a larger portion of its receivables in the form of an advanced payment for every supply of services or motors. The Company is practically dealing with no non-payers, the only receivables that have been impaired are receivables from one of its customers that has declared bankruptcy. We assess our credit risk as minimal.

Maximum exposure of receivables from customers and other receivables according to credit risk, according to our customers' location, on the date of reporting:

	2021	**2020**
Domestic customers	2	1
Foreign customers	1,288	842
Total	**1,290**	**843**

The Company assesses that, despite the financial crisis and the war in Ukraine, the payment habits of our customers have not changed, which is why this situation does not affect our policy of adjustment of receivables. The Company regularly monitors its open overdue receivables and will, if necessary, change and adapt the method of calculating the sum for the adjustment of receivables to the market situation; generally speaking, pursuant to its policy, all receivables of over one year or receivables from customers who have declared bankruptcy will be impaired.

- **Interest rate risk** (the Euribor interest rate is exposed to market fluctuations and changes, which can lead to increased costs of financing) - even though the Company's exposure to its financial creditors is relatively low, all loans are related to Euribor and to the fixed interest rate premium. Even if the reference interest rate were to increase, we still assess that this would not have an important influence to our capacity of paying our loans, meaning that the interest rate risk is evaluated as very low.

Exposure of the Group to the interest rate change risk was as follows:

Financial instruments on FIXED interest rate

	2021	**2020**
Financial assets	0	0
Financial liabilities	0	0
Total	**0**	**0**

Financial instruments on VARIABLE interest rate

	2021	**2020**
Financial assets	9	12
Financial liabilities	(682)	(675)
Total	**(673)**	**(663)**

Sensitivity analysis of the fair value of financial instruments on fixed interest rate

The Company holds no financial instruments on fixed interest rate defined at fair value through profit or loss, nor does if hold derivative financial instruments defined to protect the fair value from risks. Interest rate change at the date of reporting would thus not effect the net profit or loss.

Sensitivity analysis of the cash flow for instruments on variable interest rate

	NET PROFIT OR LOSS	
2021	Increase by 100bp	Decrease by 100bp
Instruments on variable interest rate	-	-
Variability of cash flow (net)	(6)	2

	NET PROFIT OR LOSS	
2020	Increase by 100bp	Decrease by 100bp
Instruments on variable interest rate	-	-
Variability of cash flow (net)	(6)	1

Interest rate change for 100 base points at the date of reporting would increase (decrease) the equity and net profit or loss for the amounts presented above. It was assumed in the analysis that all of the variables, especially exchange rates, shall remain unchanged. The analysis is prepared in the same manner for both years.

- Solvency risk (a risk that the Company will not have enough liquid assets to pay its current liabilities at a given moment) – our exposure is evaluated as low. As at 31/12/2021, the Company also has a surplus in short-term assets over short-term liabilities amounting to EUR 3,406 thousand.

The maturity of our financial and operating liabilities is set out below:

2021	Carrying amount as of	Contractual cash flows	1 year or less	1 - 5 years	More than 5 years
Bank loans	650	650	110	540	0
Liabilities from leases	921	921	282	639	0
Operating and other liabilities and current tax	6,163	6,163	6,163	0	0
Total	**7,734**	**7,734**	**6,273**	**1,461**	**0**

2020	Carrying amount as of	Contractual cash flows	1 year or less	1 - 5 years	More than 5 years
Bank loans	675	675	243	432	0
Liabilities from leases	1,265	1,265	301	964	0
Operating and other liabilities and current tax	2,552	2,552	2,552	0	0
Total	**4,392**	**4,392**	**2,392**	**1,697**	**0**

Fair values

Fair values of financial assets and liabilities are an approximation of their carrying amounts. Fair values of assets and liabilities and the carrying amounts are disclosed in the statement of financial position:

Fair value scale

	2021	
	Carrying amount as of	**Fair value**
Loans granted for other investments	493	493
Trade receivables, other receivables and tax	2,761	2,761
Loans received	(682)	(682)
Operating and other receivables and tax	(6,163)	(6,163)

	2020	
	Carrying amount as of	**Fair value**
Loans granted and other investments	493	493
Trade receivables, other receivables and tax	1,077	1,077
Loans received	(675)	(675)
Operating and other receivables and tax	(2,552)	(2,552)

The levels are as follows:

Level 1: stock exchange price (unadjusted) in active market for identical assets or liabilities

Level 2: information differing from stock exchange prices included at level 1, monitored for the purpose of direct or indirect evaluation of assets or liabilities

Level 3: fair value is determined on the basis of valuation models which took into account subjective variables not publicly available in the market.

For all its financial assets, the Company determines fair value at Level 3 (valuation models).

Events after the date of the balance sheet

- We began implementing the accounting model of the GO SOFT system.

- In 2022, the Company purchased a plot of land in Brnik, in the Municipality of Cerklje na Gorenjskem, in order to build a new production complex. The investment project which will be realized in 2023-2025 will enable the optimization of our production and purchasing processes, thus contributing to meeting our sustainable goals in a broader sense, in the local and global industry. The investment project will allow Elaphe to benefit from an environment favorable for its growth pursuant to market needs and expectations. In Q4 2023, the Company reviewed its strategy, postponed the plan for the construction of said new complex, and decided to sell the plot of land.

- In 2023, two of our important customers, i.e. Atlas Technologies from the Netherlands, with whom we have developed an extensive cooperation in the field of the development of the Lightyear One vehicle, and Lordstown Motors from the US, have declared bankruptcy. In line with the standards, the Company performed a total impairment of the entirety of its exposure to both customers. The impairment amounts are not materially significant for the Company. Otherwise, the Company did not have a significant balance sheet exposure, which means that, practically speaking, this situation does not have an important impact on the balance sheet. In terms of its business operations, the Company has adopted necessary measures and adapted its strategy.

- The Company is developing algorithms and software for an improved driving dynamic, which contributes to a significant improvement of the value of its solutions, at an accelerated pace. Our strategy also increasingly focuses on collaborating with traditional vehicle manufacturers who are showing increasing interest.

Ljubljana, 09 January 2024

END OF ELAPHE 2021 FINANCIAL REPORT