

## **Kapitalen ApS**

Bjernevej 5

5600 Faaborg

Central Business Registration

No 34883459

## **Annual report 2018**

The Annual General Meeting adopted the annual report on 29.05.2019

### **Chairman of the General Meeting**

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Name: Knud Erik Banke Kristensen

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## Entity details

### Entity

Kapitalen ApS  
Bjernevej 5  
5600 Faaborg

Central Business Registration No (CVR): 34883459  
Registered in: Faaborg-Midtfyn  
Financial year: 01.01.2018 - 31.12.2018

### Executive Board

Johan Harald Gedda  
Knud Erik Banke Kristensen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Tværkajen 5  
Postboks 10  
5100 Odense C

## Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Kapitalen ApS for the financial year 01.01.2018 - 31.12.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements gives a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Faaborg-Midtfyn, 29.05.2019

### Executive Board

Johan Harald Gedda

Knud Erik Banke Kristensen

## Independent auditor's report

### To the shareholders of Kapitalen ApS

#### Opinion

We have audited the consolidated financial statements and the parent financial statements of Kapitalen ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

## Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## Independent auditor's report

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Odense, 29.05.2019

### Deloitte

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No (CVR) 33963556

Lars Leopold Larsen  
State Authorised Public Accountant  
Identification No (MNE) mne33229

Per Krause Therkelsen  
State Authorised Public Accountant  
Identification No (MNE) mne19698

## Management commentary

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
<b>Financial highlights</b>				
<b>Key figures</b>				
Gross profit	94.755	61.171	45.717	20.476
Operating profit/loss	(31.290)	(21.263)	(20.799)	(34.815)
Net financials	285.646	(7.171)	362.940	13.557
Profit/loss for the year	255.409	(27.267)	337.272	(24.305)
Profit/loss excl minority interests	240.750	(33.765)	312.573	(52.754)
Total assets	1.673.085	1.566.322	1.480.949	1.208.607
Investments in property, plant and equipment	720	3.527	840	7.193
Equity	1.568.505	1.369.572	1.397.440	1.097.485
Equity excl minority interests	1.043.796	794.021	829.017	512.941
Average numbers of employees	123	75	69	69

### Ratios

Return on equity (%)	26,2	(4,2)	46,6	(10,3)
Equity ratio (%)	62,4	50,7	56,0	42,4

*Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.*

<b>Ratios</b>	<b>Calculation formula</b>	<b>Calculation formula reflects</b>
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.



## Management commentary

### Primary activities

The Company's primary activity consists of, a) investing its financial resources in appropriate financial securities and asset management products and, b) support the growth and development of the operating subsidiaries involved in software development and clean technology ("clean technology" is any process, product, or service that reduces negative environmental impacts through significant energy efficiency improvements).

### Development in activities and finances

The company made a net profit of 255.409 t.DKK for the year.

A major part of the profit for the year was generated from the sale of shares in Rocket Software, Inc. During 2018 the Company sold its remaining 18.8% stake in Rocket Software, Inc. through a leverage buy-out by Bain Capital. <https://www.bloomberg.com/news/articles/2018-10-08/bain-to-buy-majority-stake-in-rocket-software-in-2-billion-deal>

The Company's subsidiary Teracloud SA completed follow-on acquisitions of assets and entered into additional IP Partnerships with IBM and HPE. During the year HPE transitioned its worldwide support activities for the OpenVMS operating system to Teracloud SA. Subsidiaries were established in 4 foreign jurisdictions.

In clean technology, the Company continues to grow its footprint with the acquisition of Vertical Wind AB, a pioneer in the development of small scale vertical wind mill technology, and the establishment of a new subsidiary Climate Machines™, dedicated to the development of the next generation of highly energy efficient air-handling units which guarantee a reliable indoor climate with low operation cost, all year round.

Taking into consideration the facts outlined above, the Board is satisfied with the results.

### Uncertainty relating to recognition and measurement

There have been no material uncertainties or material unusual matters affecting recognition.

### Unusual circumstances affecting recognition and measurement

There have not been any unusual circumstances during the year.

### Outlook

The company expects to generate a net profit of between 25 to 50 mio. DKK for 2019

### Particular risks

The company's operating activities in software and in clean technologies are spread across multiple products and customers and are not at risk of materially influencing the company's financial situation.

The most important activities are based on activities that are settled in foreign currency. The company therefore has risks associated with the development of exchange rates, particularly on USD, SEK and EUR. The company monitors its development on an ongoing basis and regularly assesses whether there is a need for hedging of the currency risk.

## Management commentary

### **Intellectual capital resources**

At Kapitalen we believe all employees should be treated fairly and with respect at all times. Respect is one of our core business values, and is demonstrated through business activity and dialogue, not only within Kapitalen's workforce, but also through our interaction with suppliers and customers.

### **Staff**

As the most valued asset in our organization, Kapitalen encourages a collaborative working atmosphere and an open dialogue between all levels of its workforce. We aim to understand and overcome issues faced by employees, to improve employee satisfaction and encourage personal and career development within the Group.

### **Environmental performance**

One of Kapitalen's lines of business is to provide energy-optimized heating and cooling solutions that decrease energy consumption in the real property segment of the economy. We design, build and commission sustainable energy systems to lower the environmental impact of properties for customers like IKEA, Sandvik, Wallenstam and others. Reducing the carbon footprint of customer's operations is at the core of what we do, and we apply the same sustainable thinking to our own operations. As an organization, Kapitalen works hard to manage our own impact on the environment. Apart from legal obligations, our company will proactively strive to protect the environment in all our operating activities.

### **Research and development activities**

A significant part of the current and expected future earnings comes from the technology sector of the economy, with a focus on software development and the design and development of energy-efficient solutions for the real estate markets. The company makes major investments annually in the continued development of the technology for these business areas. A total of DKK 79 million was invested in development activities in 2018. An increased investment in the development of technologies within the current business areas is expected for the coming years.

### **Events after the balance sheet date**

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

## Consolidated income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
<b>Gross profit</b>		<b>94.755</b>	<b>61.171</b>
Staff costs	1	(90.911)	(72.650)
Depreciation, amortisation and impairment losses	2	(35.134)	(9.784)
<b>Operating profit/loss</b>		<b>(31.290)</b>	<b>(21.263)</b>
Income from other fixed asset investments	3	305.822	0
Other financial income	4	6.723	13.528
Other financial expenses	5	(26.899)	(20.699)
<b>Profit/loss before tax</b>		<b>254.356</b>	<b>(28.434)</b>
Tax on profit/loss for the year	6	1.053	1.167
<b>Profit/loss for the year</b>	7	<b>255.409</b>	<b>(27.267)</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Completed development projects		26.989	23.359
Acquired rights		179.087	119.254
Goodwill		5.427	5.633
<b>Intangible assets</b>	<b>8</b>	<b>211.503</b>	<b>148.246</b>
Land and buildings		25.205	25.205
Other fixtures and fittings, tools and equipment		8.813	11.375
<b>Property, plant and equipment</b>	<b>9</b>	<b>34.018</b>	<b>36.580</b>
Other investments		2.812	944.294
<b>Fixed asset investments</b>	<b>10</b>	<b>2.812</b>	<b>944.294</b>
<b>Fixed assets</b>		<b>248.333</b>	<b>1.129.120</b>
Manufactured goods and goods for resale		2.650	2.555
<b>Inventories</b>		<b>2.650</b>	<b>2.555</b>
Trade receivables		25.654	12.516
Deferred tax	11	9.990	8.038
Other receivables		65.345	41.112
Prepayments	12	5.914	3.149
<b>Receivables</b>		<b>106.903</b>	<b>64.815</b>
Other investments		952.270	240.218
<b>Other investments</b>		<b>952.270</b>	<b>240.218</b>
<b>Cash</b>		<b>362.929</b>	<b>129.614</b>
<b>Current assets</b>		<b>1.424.752</b>	<b>437.202</b>
<b>Assets</b>		<b>1.673.085</b>	<b>1.566.322</b>

## Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		500	500
Retained earnings		1.043.296	793.521
<b>Equity attributable to the Parent's owners</b>		<b>1.043.796</b>	<b>794.021</b>
<b>Share of equity attributable to minority interests</b>		<b>524.709</b>	<b>575.551</b>
<b>Equity</b>		<b>1.568.505</b>	<b>1.369.572</b>
Other payables		5.027	0
Deferred income		16.244	21.524
<b>Non-current liabilities other than provisions</b>		<b>21.271</b>	<b>21.524</b>
Bank loans		8.321	124.840
Trade payables		5.109	4.877
Income tax payable		3.984	3.668
Other payables		16.722	9.334
Deferred income		49.173	32.507
<b>Current liabilities other than provisions</b>		<b>83.309</b>	<b>175.226</b>
<b>Liabilities other than provisions</b>		<b>104.580</b>	<b>196.750</b>
<b>Equity and liabilities</b>		<b>1.673.085</b>	<b>1.566.322</b>
Assets charged and collateral	14		
Transactions with related parties	15		
Subsidiaries	16		

## Consolidated statement of changes in equity for 2018

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Share of equity attributable to minority interests DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	500	793.521	575.551	1.369.572
Exchange rate adjustments	0	11.042	0	11.042
Other entries on equity	0	(2.017)	(65.501)	(67.518)
Profit/loss for the year	0	240.750	14.659	255.409
<b>Equity end of year</b>	<b>500</b>	<b>1.043.296</b>	<b>524.709</b>	<b>1.568.505</b>

Other equity postings are net effect of sales and acquisitions of minority interests in consolidated subsidiaries.

## Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Operating profit/loss		(31.289)	(21.265)
Amortisation, depreciation and impairment losses		35.134	9.784
Working capital changes	13	(18.160)	2.106
<b>Cash flow from ordinary operating activities</b>		<b>(14.315)</b>	<b>(9.375)</b>
Financial income received		6.723	13.530
Financial expenses paid		(21.386)	(20.699)
Income taxes refunded/(paid)		(583)	(4.987)
<b>Cash flows from operating activities</b>		<b>(29.561)</b>	<b>(21.531)</b>
Acquisition etc of intangible assets		(89.684)	(132.761)
Acquisition etc of property, plant and equipment		(720)	(1.194)
Sale of property, plant and equipment		3	19
Sale of fixed asset investments		1.247.316	0
Loans		0	(6.344)
Repayments received		1.121	0
<b>Cash flows from investing activities</b>		<b>1.158.036</b>	<b>(140.280)</b>
Loans raised		0	121.557
Repayments of loans etc		(116.519)	(8.427)
Acquisition of treasury shares		(66.589)	0
<b>Cash flows from financing activities</b>		<b>(183.108)</b>	<b>113.130</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>945.367</b>	<b>(48.681)</b>
Cash and cash equivalents beginning of year		369.832	418.513
<b>Cash and cash equivalents end of year</b>		<b>1.315.199</b>	<b>369.832</b>
Cash and cash equivalents at year-end are composed of:			
Cash		362.929	129.614
Securities		952.270	240.218
<b>Cash and cash equivalents end of year</b>		<b>1.315.199</b>	<b>369.832</b>

## Notes to consolidated financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	75.309	63.142
Pension costs	3.403	2.101
Other social security costs	12.199	0
Other staff costs	0	7.407
	<b>90.911</b>	<b>72.650</b>

Average number of employees	<b>123</b>	<b>97</b>
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	<b>Remunera- tion of manage- ment 2018</b> <b>DKK'000</b>	<b>Remunera- tion of manage- ment 2017</b> <b>DKK'000</b>
Executive Board	2.096	96
	<b>2.096</b>	<b>96</b>

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Amortisation of intangible assets	31.462	6.035
Depreciation of property, plant and equipment	3.672	3.749
	<b>35.134</b>	<b>9.784</b>

### 3. Income from other fixed asset investments

Income from other fixed assets investments consist of profit from sales of other investments.

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>4. Other financial income</b>		
Other interest income	6.723	0
Other financial income	0	13.528
	<b>6.723</b>	<b>13.528</b>

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>5. Other financial expenses</b>		
Exchange rate adjustments	25.851	19.970
Other financial expenses	1.048	729
	<b>26.899</b>	<b>20.699</b>



## Notes to consolidated financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>6. Tax on profit/loss for the year</b>		
Current tax	4.083	3.635
Change in deferred tax	(5.136)	(4.802)
	<b>(1.053)</b>	<b>(1.167)</b>

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>7. Proposed distribution of profit/loss</b>		
Retained earnings	240.750	(33.765)
Minority interests' share of profit/loss	14.659	6.498
	<b>255.409</b>	<b>(27.267)</b>

	<b>Completed develop- ment projects DKK'000</b>	<b>Acquired rights DKK'000</b>	<b>Goodwill DKK'000</b>
<b>8. Intangible assets</b>			
Cost beginning of year	29.428	139.162	7.827
Exchange rate adjustments	(250)	4.958	169
Additions	7.532	81.581	571
<b>Cost end of year</b>	<b>36.710</b>	<b>225.701</b>	<b>8.567</b>
Amortisation and impairment losses beginning of year	(6.069)	(19.908)	(2.194)
Exchange rate adjustments	0	247	(89)
Amortisation for the year	(3.652)	(26.953)	(857)
<b>Amortisation and impairment losses end of year</b>	<b>(9.721)</b>	<b>(46.614)</b>	<b>(3.140)</b>
<b>Carrying amount end of year</b>	<b>26.989</b>	<b>179.087</b>	<b>5.427</b>

The development projects consist of a newly developed generation of efficient heat pumps. Furthermore development projects consist of systems that ensure optimal indoor climate as well as management tools for monitoring and optimizing energy consumption. All development projects are intended to be used in larger facilities.

It is expected that the new generation of products will be so energy efficient that the products will be cost-effective for the customers within 3 – 5 years. There has already been considerable interest in the products and in the main market in Sweden the roll-out is expected to happen in 2019 whereupon the products are expected to be rolled out in the remaining Nordic markets.

## Notes to consolidated financial statements

	<b>Land and buildings DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
<b>9. Property, plant and equipment</b>		
Cost beginning of year	25.205	21.615
Exchange rate adjustments	0	955
Additions	0	720
Disposals	0	(3)
<b>Cost end of year</b>	<b>25.205</b>	<b>23.287</b>
Depreciation and impairment losses beginning of year	0	(10.240)
Exchange rate adjustments	0	(562)
Depreciation for the year	0	(3.672)
<b>Depreciation and impairment losses end of year</b>	<b>0</b>	<b>(14.474)</b>
<b>Carrying amount end of year</b>	<b>25.205</b>	<b>8.813</b>
<b>10. Fixed asset investments</b>		
Cost beginning of year		944.593
Disposals		(941.482)
<b>Cost end of year</b>		<b>3.111</b>
Impairment losses beginning of year		(299)
<b>Impairment losses end of year</b>		<b>(299)</b>
<b>Carrying amount end of year</b>		<b>2.812</b>
<b>11. Deferred tax</b>		
<b>Changes during the year</b>		
Beginning of year		8.038
Recognised in the income statement		5.136
Recognised directly in equity		(3.184)
<b>End of year</b>		<b>9.990</b>

Deferred tax regarding taxable losses is expected to be utilised within 3-5 years.

## Notes to consolidated financial statements

### 12. Prepayments

Prepayments consist of prepaid expenses.

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>13. Change in working capital</b>		
Increase/decrease in inventories	(95)	(2.276)
Increase/decrease in receivables	(40.136)	3.412
Increase/decrease in trade payables etc	24.033	1.412
Other changes	(1.962)	(442)
	<b>(18.160)</b>	<b>2.106</b>

### 14. Assets charged and collateral

Cash and other investments of a carrying amount of DKK 77.484k have been provided as security for bank debt.

Kapitalen ApS has engaged to subscribe for further capital in two investment funds totalling DKK 300k.

Gedda Invest ApS has engaged to subscribe for further capital in two investment funds totalling DKK 30.400k.

Kapitalen ApS has placed guarantees amounting SEK 2.290k regarding payables.

	<b>Other related parties.</b> <b>DKK'000</b>
<b>15. Transactions with related parties</b>	
Wages	2.096
Purchase of investments	65.155

## Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
<b>16. Subsidiaries</b>			
Gedda Holding ApS	Faaborg-Midtfyn	ApS	100,0
Gedda Invest ApS	Faaborg-Midtfyn	ApS	0,1
Gedda Income ApS	Faaborg-Midtfyn	ApS	25,0
Energy Machines ApS	Faaborg-Midtfyn	ApS	89,3
Energy Machines SA	Luxembourg	SA	100,0
Energy Machines AB	Danderyd, Sweden	AB	100,0
Climate Machines FF AB	Malmö, Sweden	AB	100,0
Teracloud SA	Luxembourg	SA	100,0
21st Century Software Inc.	Wayne, Pennsylvania	Inc.	100,0
VMS Software Inc.	Bolton, Massachussetts	Inc.	100,0
EKP Cool OY	Porvoo, Finland	OY	100,0
Geo Energiprojekt i Malmö AB	Malmö, Sweden	AB	100,0
Teracloud AB	Malmö, Sweden	AB	100,0
Teracloud GmbH	Flensburg, Germany	GmbH	100,0

## Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
<b>Gross loss</b>		<b>(413)</b>	<b>(249)</b>
Staff costs	1	(2.096)	(96)
Depreciation, amortisation and impairment losses	2	(10)	(11)
<b>Operating profit/loss</b>		<b>(2.519)</b>	<b>(356)</b>
Income from investments in group enterprises		0	(24.920)
Income from other fixed asset investments	3	305.822	0
Other financial income	4	16.149	10.758
Other financial expenses	5	(46.286)	(20.570)
<b>Profit/loss before tax</b>		<b>273.166</b>	<b>(35.088)</b>
Tax on profit/loss for the year	6	7.184	2.166
<b>Profit/loss for the year</b>	7	<b>280.350</b>	<b>(32.922)</b>

## Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Other fixtures and fittings, tools and equipment		0	10
<b>Property, plant and equipment</b>	8	<b>0</b>	<b>10</b>
Investments in group enterprises		158.196	93.415
Other investments		2.812	944.293
Other receivables		0	0
<b>Fixed asset investments</b>	9	<b>161.008</b>	<b>1.037.708</b>
<b>Fixed assets</b>		<b>161.008</b>	<b>1.037.718</b>
Receivables from group enterprises		372.950	272.136
Deferred tax	10	8.827	3.430
Other receivables		63.651	38.114
Income tax receivable		113	0
<b>Receivables</b>		<b>445.541</b>	<b>313.680</b>
Other investments		784.172	87.410
<b>Other investments</b>		<b>784.172</b>	<b>87.410</b>
<b>Cash</b>		<b>300.349</b>	<b>66.229</b>
<b>Current assets</b>		<b>1.530.062</b>	<b>467.319</b>
<b>Assets</b>		<b>1.691.070</b>	<b>1.505.037</b>

## Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital	11	500	500
Other reserves		677.393	677.393
Retained earnings		556.391	276.041
<b>Equity</b>		<b><u>1.234.284</u></b>	<b><u>953.934</u></b>
Bank loans		7.025	124.818
Payables to group enterprises		448.592	425.910
Other payables		1.169	375
<b>Current liabilities other than provisions</b>		<b><u>456.786</u></b>	<b><u>551.103</u></b>
<b>Liabilities other than provisions</b>		<b><u>456.786</u></b>	<b><u>551.103</u></b>
<b>Equity and liabilities</b>		<b><u>1.691.070</u></b>	<b><u>1.505.037</u></b>
Contingent liabilities	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

## Parent statement of changes in equity for 2018

	<b>Contributed capital DKK'000</b>	<b>Other reserves DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	500	677.393	276.041	953.934
Profit/loss for the year	0	0	280.350	280.350
<b>Equity end of year</b>	<b>500</b>	<b>677.393</b>	<b>556.391</b>	<b>1.234.284</b>



## Notes to parent financial statements

	<b>2018 DKK'000</b>	<b>2017 DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	2.096	96
	<b>2.096</b>	<b>96</b>
Average number of employees	<b>1</b>	<b>1</b>
	<b>Remunera- tion of manage- ment 2018 DKK'000</b>	<b>Remunera- tion of manage- ment 2017 DKK'000</b>
Executive Board	2.096	96
	<b>2.096</b>	<b>96</b>
	<b>2018 DKK'000</b>	<b>2017 DKK'000</b>
<b>2. Depreciation, amortisation and impairment losses</b>		
Depreciation of property, plant and equipment	10	11
	<b>10</b>	<b>11</b>
<b>3. Income from other fixed asset investments</b>		
Income from other fixed assets investments consist of profit from sales of other investments.		
	<b>2018 DKK'000</b>	<b>2017 DKK'000</b>
<b>4. Other financial income</b>		
Financial income arising from group enterprises	10.421	5.183
Other financial income	5.728	5.575
	<b>16.149</b>	<b>10.758</b>
	<b>2018 DKK'000</b>	<b>2017 DKK'000</b>
<b>5. Other financial expenses</b>		
Financial expenses from group enterprises	17.712	16.526
Exchange rate adjustments	16.267	3.546
Other financial expenses	12.307	498
	<b>46.286</b>	<b>20.570</b>

## Notes to parent financial statements

	<b>2018</b> <b>DKK'000</b>	<b>2017</b> <b>DKK'000</b>
<b>6. Tax on profit/loss for the year</b>		
Change in deferred tax	(7.184)	(2.236)
Adjustment concerning previous years	0	70
	<b>(7.184)</b>	<b>(2.166)</b>
<b>7. Proposed distribution of profit/loss</b>		
Retained earnings	280.350	(32.922)
	<b>280.350</b>	<b>(32.922)</b>
<b>8. Property, plant and equipment</b>		<b>Other fixtures and fittings, tools and equipment DKK'000</b>
Cost beginning of year		33
<b>Cost end of year</b>		<b>33</b>
Depreciation and impairment losses beginning of year		(23)
Depreciation for the year		(10)
<b>Depreciation and impairment losses end of year</b>		<b>(33)</b>
<b>Carrying amount end of year</b>		<b>0</b>

## Notes to parent financial statements

	<b>Investments in group enterprises DKK'000</b>	<b>Other investments DKK'000</b>	<b>Other receivables DKK'000</b>
<b>9. Fixed asset investments</b>			
Cost beginning of year	122.714	944.293	2.374
Additions	65.155	0	0
Disposals	(4.673)	(941.481)	0
<b>Cost end of year</b>	<b>183.196</b>	<b>2.812</b>	<b>2.374</b>
Impairment losses beginning of year	(29.299)	0	(2.374)
Reversal regarding disposals	4.299	0	0
<b>Impairment losses end of year</b>	<b>(25.000)</b>	<b>0</b>	<b>(2.374)</b>
<b>Carrying amount end of year</b>	<b>158.196</b>	<b>2.812</b>	<b>0</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

	<b>2018 DKK'000</b>
<b>10. Deferred tax</b>	
<b>Changes during the year</b>	
Beginning of year	3.430
Recognised in the income statement	5.397
<b>End of year</b>	<b>8.827</b>

Deferred tax regarding taxable losses is expected to be utilised within 3-5 years.

	<b>Number</b>	<b>Par value DKK'000</b>	<b>Nominal value DKK'000</b>
<b>11. Contributed capital</b>			
Ordinary Shares	500.000	1	500
	<b>500.000</b>		<b>500</b>

### 12. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

Cash and other investments of a carrying amount of DKK 77.484k have been provided as security for bank debt.

## Notes to parent financial statements

The Company has engaged to subscribe for further capital in three investment funds totaling DKK 300k.

The Company has placed guarantees amounting SEK 2.290k regarding payables.

The Company has submitted a statement of support towards a subsidiary and is therefore obligated to support this subsidiary if this is necessary. The statement expires at 31.08.2019.

### 13. Related parties with controlling interest

Johan Harald Gedda, Denmark has the controlling interest on the basis of owner of 100% of the shares.

	<b>Subsidiaries DKK'000</b>	<b>Other related parties. DKK'000</b>
<b>14. Transactions with related parties</b>		
Sales	843	0
Purchases	65.155	0
Wages and salaries	0	2.096
Financial expenses	17.712	0
Financial income	10.421	0

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

### Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

## Accounting policies

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

#### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

#### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

#### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

#### Income from investments in group enterprises

Income from investments in group enterprises comprises dividend etc received from the individual group enterprises in the financial year.

#### Income from other fixed asset investments

Income from other fixed asset investments comprises gains in the form of interest, dividends, etc on fixed asset investments which are not investments in group enterprises or associates.

#### Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

#### Other financial income

Other financial income comprises dividends etc received on other investments, interest income including

## Accounting policies

interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 7 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 7 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and

## Accounting policies

indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 7 years.

Acquired rights are measured at cost less accumulated amortisation. Acquired rights consist of patents and software rights and are amortised on a straight-line basis over the estimated useful life. The amortisation period is 7 years, however, not more than the residual life of the rights concerned.

Patents of software rights in the group is patents and rights to IBM-based software. The amortisation period is:

Patent of software rights	7 years
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Acquired rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
--	-----------

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

Moreover, cost is reduced if more dividend is distributed than what has been earned in the enterprises on a total basis since the Parent's acquisition of the investment.



## Accounting policies

### Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date and unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

The recoverable amount of unlisted equity instruments is calculated annually based on EBITDA price multiples for comparable companies as well as expectations for the associates' earnings.

### Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Other investments

Securities recognised under current assets comprise listed securities measured at fair value (market price) at the balance sheet date.

### Cash

Cash comprises cash in hand and bank deposits.

### Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

## Accounting policies

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.