

Kapitalen ApS

Bryghuspladsen 8, 4. 402
1473 København K

CVR no. 34 88 34 59

Annual report 2019

The annual report was presented and approved at the
Company's annual general meeting on 26 June 2020

Knud Erik Banke Kristensen
chairman of the annual general meeting

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Kapitalen ApS
Annual report 2019
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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Kapitalen ApS for the financial year 1 January – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 26 June 2020
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 company financial statements of Kapitalen ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2019 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 company financial statements" section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

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



Independent auditor's report

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

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 June 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Niels Vendelbo
State Authorised
Public Accountant
mne34532

Jesper Bo Pedersen
State Authorised
Public Accountant
mne42778

Kapitalen ApS
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Management's review

Company details

Kapitalen ApS
Bryghuspladsen 8, 4. 402
1473 København K

CVR no.:	34 88 34 59
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Executive Board

Johan Harald Gedda
Knud Erik Banke Kristensen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 26 June 2020.

Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
Gross profit/loss	138,459	94,755	61,171	45,717	20,476
Operating profit/loss	-44,591	-31,290	-21,263	-20,799	-34,815
Profit/loss from financial income and expenses	107,263	285,646	-7,171	362,940	13,557
Profit/loss for the year	41,438	255,409	-27,267	337,272	-24,305
Total assets	1,863,852	1,673,085	1,566,322	1,480,949	1,208,607
Investments in property, plant and equipment	24,325	720	3,527	840	7,193
Equity	1,522,809	1,568,505	1,369,572	1,397,440	1,097,485
Equity excl. minority interests	1,069,623	1,043,796	794,021	829,017	512,941
Average numbers of employees	179	123	75	69	69
Return on equity (%)	2.7	26.2	(4.2)	46.6	(10.3)
Equity ratio (%)	57.4	62.4	50.7	56.0	42.4

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on equity

$$\frac{\text{Profit from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Equity ratio

$$\frac{\text{Equity excl. minority interests} \times 100}{\text{Total Assets}}$$

Management's review

Operating review

The Group's principal 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).

Material uncertainties regarding going concern

There have not been any material uncertainties regarding going concern during the year.

Uncertainty regarding recognition and measurement

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

Unusual circumstances

There have not been any unusual circumstances during the year.

Events after the balance sheet date

The Covid-19 pandemic has impacted businesses across the globe, and Kapitalen has not experienced losses as a consequence of both the virus and the sanctions imposed by the authorities. This has, however, not affected the short-term liquidity of the business.

No events have occurred after the balance sheet date that have materially affect the assessment of the annual report.

Development in activities and financial position

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).

Profit for the year

The Company made a net profit of DKK 41,398 thousand for the year, which is in line with last year's announced expectations.

Management's review

Operating review

Capital resources

At 31 December 2019, the Company's equity amounted to DKK 1,275,682 thousand.

Outlook

The Company expects to generate a net profit of between DKK 25 to 50 million for 2020

Intellectual capital

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.

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.

Operating 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.

Currency risks

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.

Environmental matters

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.

Management's review

Operating review

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.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2019	2018	2019	2018
Gross profit/loss		138,459	94,755	1,253	-413
Staff costs	2	-137,451	-90,911	-204	-2,096
Depreciation, amortisation and impairment losses	7,8	-45,599	-35,134	-125	-10
Operating profit/loss		-44,591	-31,290	924	-2,519
Income from other equity investments and securities		249	305,822	-24,870	305,822
Financial income	3	136,551	6,723	103,129	16,149
Financial expenses	4	-29,288	-26,899	-19,133	-46,286
Profit before tax		62,921	254,356	60,050	273,166
Tax on profit for the year	5	-21,483	1,053	-18,652	7,184
Profit for the year	6	<u>41,438</u>	<u>255,409</u>	<u>41,398</u>	<u>280,350</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2019	2018	2019	2018
ASSETS					
Fixed assets					
Intangible assets					
	7				
Completed development projects		13,888	26,989	0	0
Acquired rights		217,167	179,087	0	0
Goodwill		6,631	5,427	0	0
		<u>237,686</u>	<u>211,503</u>	<u>0</u>	<u>0</u>
Property, plant and equipment					
	8				
Land and buildings		42,073	25,205	0	0
Fixtures and fittings, tools and equipment		11,534	8,813	1,123	0
		<u>53,607</u>	<u>34,018</u>	<u>1,123</u>	<u>0</u>
Investments					
Investments in group entities	9	0	0	279,438	158,196
Other securities and equity investments	9	9,857	2,812	9,857	2,812
Other receivables		487	0	404	0
		<u>10,344</u>	<u>2,812</u>	<u>289,699</u>	<u>161,008</u>
Total fixed assets		<u>301,637</u>	<u>248,333</u>	<u>290,822</u>	<u>161,008</u>
Current assets					
Inventories					
Finished goods and goods for resale		7,477	2,650	0	0
		<u>7,477</u>	<u>2,650</u>	<u>0</u>	<u>0</u>
Receivables					
Trade receivables		32,933	25,654	0	0
Receivables from group entities		0	0	401,024	372,950
Deferred tax	12	325	9,990	0	8,827
Tax receivable		0	0	0	113
Other receivables		77,957	65,345	74,468	63,651
Prepayments	10	4,817	5,914	0	0
		<u>116,032</u>	<u>106,903</u>	<u>475,492</u>	<u>445,541</u>
Securities and equity investments		<u>1,367,736</u>	<u>952,270</u>	<u>1,149,548</u>	<u>784,172</u>
Cash at bank and in hand		<u>70,970</u>	<u>362,929</u>	<u>15,792</u>	<u>300,349</u>
Total current assets		<u>1,562,215</u>	<u>1,424,752</u>	<u>1,640,832</u>	<u>1,530,062</u>
TOTAL ASSETS		<u>1,863,852</u>	<u>1,673,085</u>	<u>1,931,654</u>	<u>1,691,070</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2019	2018	2019	2018
EQUITY AND LIABILITIES					
Equity					
Contributed capital	11	500	500	500	500
Retained earnings		1,058,291	1,029,216	1,275,182	1,233,784
Reserve for development costs		10,832	14,080	0	0
Shareholders in Kapitalen ApS' share of equity		1,069,623	1,043,796	1,275,682	1,234,284
Non-controlling interests		453,186	524,709	0	0
Total equity		1,522,809	1,568,505	1,275,682	1,234,284
Liabilities other than provisions					
Non-current liabilities other than provisions					
Deferred tax liabilities	12	3,139	0	37	0
Other payables		16,306	5,027	0	0
Deferred income	13	17,304	16,244	0	0
		36,749	21,271	37	0
Current liabilities other than provisions					
Credit institutions		197,524	8,321	193,545	7,025
Trade payables		9,867	5,109	86	0
Payables to group entities		0	0	453,076	448,592
Tax payables		10,460	3,984	8,717	0
Other payables		38,334	16,722	511	1,169
Deferred income	13	48,109	49,173	0	0
		304,294	83,309	655,935	456,786
Total liabilities other than provisions		341,043	104,580	655,972	456,786
TOTAL EQUITY AND LIABILITIES		1,863,852	1,673,085	1,931,654	1,691,070
Contractual obligations, contingencies, etc.	16				
Related parties	17				

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group				
	Contributed capital	Reserve for development costs	Retained earnings	Minority interest share	Total equity
DKK'000					
Equity at 1 January 2019	500	14,080	1,029,216	524,709	1,568,505
Changes in accounting policies	0	0	7,250	0	7,250
Acquisitions of minority interest	0	0	0	-96,376	-96,376
Transferred over the profit appropriation	0	0	19,214	22,224	41,438
Exchange rate adjustment	0	0	577	2,629	3,206
Transfer for the year	0	-3,248	3,248	0	0
Tax on items under equity	0	0	-1,214	0	-1,214
Equity at 31 December 2019	500	10,832	1,058,291	453,186	1,522,809

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Parent Company		
	Contributed capital	Retained earnings	Total equity
DKK'000			
Equity at 1 January 2019	500	1,233,784	1,234,284
Transferred over the profit appropriation	0	41,398	41,398
Equity at 31 December 2019	500	1,275,182	1,275,682

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2019	2018
Profit for the year		41,438	255,409
Income from other equity investments and securities		-249	-305,822
Financial income		-136,551	-6,723
Financial expenses		29,288	26,899
Tax for the year		21,483	-1,053
Depreciation, amortisation and impairment losses		45,599	35,135
Cash generated from operations before changes in working capital		1,008	3,845
Changes in working capital	14	58,575	-18,160
Cash generated from operations		59,583	-14,315
Interest income		136,551	6,723
Interest expense		-29,288	-21,386
Corporation tax paid		-2,203	-583
Cash flows from operating activities		164,643	-29,561
Acquisition of intangible assets		-62,579	-89,684
Acquisition of property, plant and equipment		-24,325	-720
Disposal of property, plant and equipment		0	3
Acquisition of fixed asset investments		-7,044	0
Sale of fixed asset investments		0	1,247,316
Change, deposit		-84	0
Loans		-39,929	0
Repayments received		0	1,121
Cash flows from investing activities		-133,961	1,158,036
Loans raised		189,202	0
Repayment of long-term debt		0	-116,519
Acquisition of treasury shares		-96,377	-66,589
Cash flows from financing activities		92,825	-183,108
Cash flows for the year		123,507	945,367
Cash and cash equivalents at the beginning of the year		1,315,199	369,832
Cash and cash equivalents at year end	15	1,438,706	1,315,199

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Kapitalen ApS for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year, except for revenue recognition as stated below.

Changes in accounting policies

With effect from 1 January 2019, the Company has chosen to rely on IFRS 15 *Revenue from contracts with customers* as the basis of interpretation when recognising revenue.

In contrast to the previous bases of interpretation contained in IAS 11/18, IFRS 15 contains one overall and comprehensive model for the recognition of revenue. The fundamental principle in IFRS 15 is that the Company is to recognise revenue so it reflects goods or services provided to customers at the amounts to which the Company is expected to be entitled for the provision of these goods or services.

The effect for the Company of using IFRS 15 as the basis of interpretation is that:

- variable consideration from contracts on which the customer's price may vary if a number of conditions are complied with after performance of the contract is to be recognised as revenue if it is highly likely that changes in estimated variable consideration do not have the outcome that an important part of the amount is to be reversed and thereby will reduce revenue. Accordingly, the Group is to recognise the most probable value of the variable consideration in revenue.
- a number of contracts contains several performance obligations to which the transaction price is to be allocated. This is primarily contracts involving the supply and service of facilities for handling recycled paper.

The monetary effect of relying on IFRS 15 as the basis of interpretation made up DKK 2,750 thousand in 2019 before tax.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of 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 Company, and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when the Company 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 Company, and the value of the liability can be reliably measured.

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 and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Kapitalen ApS, and subsidiaries in which Kapitalen ApS directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Non-controlling interests

Items of subsidiaries are fully recognised in the consolidated financial statements. The non-controlling interests' proportionate share of the subsidiaries' profit and of equity is included as part of the Group's profit and equity, respectively, but is presented separately.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Gross profit/loss

Gross profit/loss comprises revenue, cost of sales and other external costs.

Revenue

Revenue from contracts with customers are recognised when a written contract exist and the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognised when, or as, control of a promised product or service is transferred to the customer in an amount that reflects the consideration agreed in exchange for the products or services (its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecast information, taking into consideration the type of customer, the type of transaction and the specific facts and circumstances of each agreement.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external costs comprise costs for distribution and sales costs, costs for advertising, administrative expenses, costs of premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, excluding reimbursements from public authorities.

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.

Income from other investments and securities

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 entities or associates.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, etc.

Dividends from equity investments in group entities measured at cost are recognised as income in the income statement in the financial year when the dividends are declared.

Tax on profit for the year

The Parent Company is comprised by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Intangible assets

General

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Completed development projects

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.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

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Notes

1 Accounting policies (continued)

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 reliably estimated, 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

Acquired rights are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 7 years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is between 5 and 25 years and longest for strategically acquired entities with a strong market position and long-term earnings profile. 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.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
--------------------------------------------	-----------

The useful lives and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

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Notes

1 Accounting policies (continued)

Investments

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Other securities and equity 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.

Other receivables are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

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Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Securities and equity investments

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Other securities and equity investments recognised as current assets comprise listed securities measured at fair value at the balance sheet date, corresponding to market value.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Reserve for development costs

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.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividend to owners.

Cash and cash equivalents

Cash and cash equivalents comprise securities and equity investments and cash at bank and in hand.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
2 Staff costs				
Wages and salaries	114,124	75,309	204	2,096
Pensions	4,597	3,403	0	0
Other social security costs	18,730	12,199	0	0
	<u>137,451</u>	<u>90,911</u>	<u>204</u>	<u>2,096</u>
Average number of full-time employees	<u>179</u>	<u>123</u>	<u>1</u>	<u>1</u>

Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board, DKK 204 thousand (2018: DKK 2,096 thousand).

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
3 Financial income				
Interest income from group entities	0	0	12,561	10,421
Capital gains on securities measured at fair value	73,819	0	33,021	0
Foreign exchange gains	42,236	0	41,165	0
Other interest income	12,405	6,723	8,291	0
Other financial income	8,091	0	8,091	5,728
	<u>136,551</u>	<u>6,723</u>	<u>103,129</u>	<u>16,149</u>

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DKK'000	Group		Parent Company	
	2019	2018	2019	2018
4 Financial expenses				
Interest expense to group entities	0	0	-17,944	-17,712
Foreign exchange losses	0	-25,851	0	-16,267
Other financial cost	-27,897	0	0	0
Other interest expense	-1,391	-1,048	-1,189	-12,307
	<u>-29,288</u>	<u>-26,899</u>	<u>-19,133</u>	<u>-46,286</u>
5 Tax on profit for the year				
Current tax for the year	-18,287	-4,083	-13,847	7,184
Deferred tax adjustment for the year	-3,196	5,136	-4,806	0
	<u>-21,483</u>	<u>1,053</u>	<u>-18,653</u>	<u>7,184</u>
6 Proposed profit appropriation				
Retained earnings	19,214	240,750	41,398	280,350
Non-controlling interests' share of subsidiaries' profit/loss	22,224	14,659	0	0
	<u>41,438</u>	<u>255,409</u>	<u>41,398</u>	<u>280,350</u>

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

7 Intangible assets

	Group			
	Com- pleted deve- lopment projects	Acquired rights	Goodwill	Total
DKK'000				
Cost at 1 January 2019	36,710	225,701	8,567	270,978
Transfer	-16,215	16,215	0	0
Exchange rate adjustment	8	5,339	71	5,418
Additions	320	60,084	2,175	62,579
Cost at 31 December 2019	20,823	307,339	10,813	338,975
Amortisation and impairment losses at 1 January 2019	-9,721	-46,614	-3,196	-59,531
Transfer	8,125	-8,125	0	0
Exchange rate adjustment	-1	-1,066	-50	-1,117
Amortisation	-5,338	-34,367	-936	-40,641
Amortisation and impairment losses at 31 December 2019	-6,935	-90,172	-4,182	-101,289
Carrying amount at 31 December 2019	13,888	217,167	6,631	237,686

Consolidated financial statements and parent company financial statements 1 January – 31 December

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8 Property, plant and equipment

DKK'000	Parent Company		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	0	33	33
Additions	0	1,248	1,248
Cost at 31 December 2019	0	1,281	1,281
Depreciation and impairment losses at 1 January 2019	0	-33	-33
Depreciation	0	-125	-125
Depreciation and impairment losses at 31 December 2019	0	-158	-158
Carrying amount at 31 December 2019	0	1,123	1,123

DKK'000	Group		
	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	25,205	23,287	48,492
Correction to opening balance	0	-498	-498
Foreign exchange adjustments in foreign entities	0	533	533
Additions	16,904	7,421	24,325
Cost at 31 December 2019	42,109	30,743	72,852
Depreciation and impairment losses at 1 January 2019	0	-14,473	-14,473
Correction to opening balance	0	517	517
Foreign exchange adjustments in foreign entities	0	-331	-331
Depreciation	-36	-4,922	-4,958
Depreciation and impairment losses at 31 December 2019	-36	-19,209	-19,245
Carrying amount at 31 December 2019	42,073	11,534	53,607

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Notes

9 Investments

DKK'000	Investments in subsidiaries	Other investments
Cost at 1 January 2019	183,196	2,812
Additions	146,360	7,045
Cost at 31 December 2019	329,556	9,857
Impairment losses at 1 January 2019	-25,000	0
Addition for the year	-25,118	0
Disposals for the year	0	0
Impairment losses at 31 December 2019	-50,118	0
Carrying amount at 31 December 2019	279,438	9,857

Name/legal form	Registered office	Equity interest
Gedda Holding ApS	Copenhagen	100%
Gedda Invest ApS	Copenhagen	0.1%*)
Gedda Income ApS	Copenhagen	46.4%*)
Energy Machines ApS	Copenhagen	99.0%
Energy Machines AB	Malmö, Sweden	100.0%
Climate Machines FF AB	Malmö, Sweden	100.0%
Fibe EI AB	Sollentuna, Sweden	100.0%
EKP Cool OY	Porvoo, Finland	100.0%
Vertical Wind AB	Upsala, Sweden	79.2%
Teracloud SA	Luxembourg	100.0%
21st Century Software Inc.	Wayne, Pennsylvania, USA	100.0%
VMS Software Inc.	Bolton, Massachusetts, USA	100.0%
Teracloud GmbH	Erkelenz, Germany	100.0%
Teracloud Ltd.	London, United Kingdom	100.0%
Teracloud AB	Malmö, Sweden	100.0%
Teracloud Pty Ltd.	Perth, Australia	100.0%
Vertical Wind AB	Upsala, Sweden	79.2%
Sigtuna Vallstanäs 2:4-1 AB	Malmö, Sweden	100.0%

*)100% votes.

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Notes

10 Prepayments

Prepayments consist of prepaid expenses such as rent, insurance, etc.

11 Contributed capital

The contributed capital consists of 500,000 shares of nom. DKK 1 each. There have been no changes to the contributed capital since inception.

All shares rank equally.

12 Deferred tax

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax at 1 January	9,990	8,038	8,827	3,430
Opening adjustment / reclassification	-8,424	0	-4,058	0
Deferred tax adjustment for the year in the income statement	-3,196	5,136	-4,806	5,397
Recognized in equity	-1,214	-3,184	0	0
	<u>-2,844</u>	<u>9,990</u>	<u>-37</u>	<u>8,827</u>
Deferred tax asset	325	9,990	0	8,827
Deferred tax liability	-3,169	0	-37	0
	<u>-2,844</u>	<u>9,990</u>	<u>-37</u>	<u>8,827</u>

13 Deferred income

Deferred income of DKK 65,412 thousand (2018: DKK 65,417 thousand) comprise payments received from customers that cannot be recognised until the subsequent financial year.

DKK'000	Group	
	2019	2018
14 Changes in working capital		
Change in inventories	-4,828	-95
Change in receivables	21,134	-40,136
Change in trade and other payables	33,497	24,033
Other changes	8,772	-1,962
	<u>58,575</u>	<u>-18,160</u>

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DKK'000	Group	
	2019	2018
15 Cash and cash equivalents at year end		
Securities and equity investments	1,367,736	952,270
Cash at bank and in hand	70,970	362,929
	<u>1,438,706</u>	<u>1,315,199</u>

16 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company has guaranteed loans with total amount of DKK 193,537 thousand with assets of DKK 1,156,965 thousand.

The Company has guaranteed the subsidiaries' bank loans. At 31 December 2019, the subsidiaries' bank loans amounted to DKK 3,979 thousand.

The Company has provided letters of support for Teracloud SA, Energy Machines AB and Climate Machines FF AB.

The Parent Company has undertaken to contribute capital for investments in securities in the amount of DKK 334 thousand.

The Group has undertaken to contribute capital for investments in securities in the amount of DKK 80,706 thousand.

The Parent Company has provided letters of support for subsidiaries in the amount of DKK 4,361 thousand.

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration concerning VAT.

Operating lease obligations

The Company has entered into operating leases with a remaining term of 3 months and an average monthly lease payment of DKK 267 thousand, totalling DKK 800 thousand.

The Group has entered into operating leases with a remaining term of 33 months and an average monthly lease payment of DKK 197 thousand, totalling DKK 6,496 thousand.

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Notes

17 Related parties

Kapitalen ApS' related parties comprise the following:

Control

Johan Harald Gedda, Denmark

Related party transactions

DKK'000	2019
Group	
Purchase of investments	<u>96,376</u>
Parent Company	
Sales	<u>5,582</u>

Remuneration to the Parent Company's Executive Board is disclosed in note 2.

Intercompany balances are disclosed in the balance sheet and expensed interest is disclosed in note 3 and 4.