

Grad ApS
Vesterbrogade 149
1620 København V
Business Registration No
36951842

Annual report 2018

The Annual General Meeting adopted the annual report on 29.05.2019

Chairman of the General Meeting

Name: Max Tomas Lundberg

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Entity details

Entity

Grad ApS
Vesterbrogade 149
1620 København V

Central Business Registration No (CVR): 36951842

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Max Tomas Lundberg
Stefan Gustav Gunnar Persson
Jimmy Fussing Nielsen

Executive Board

Max Tomas Lundberg, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Grad 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 give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations 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.

Copenhagen, 29.05.2019

Executive Board

Max Tomas Lundberg
CEO

Board of Directors

Max Tomas Lundberg

Stefan Gustav Gunnar Persson

Jimmy Fussing Nielsen

Independent auditor's report

To the shareholders of Grad ApS

Opinion

We have audited the financial statements of Grad 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. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations 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 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 financial statements section of this auditor's report. We are independent of the Entity 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.

Material uncertainty related to going concern

The Entity is a start-up entity which has not yet been cash-flow positive from its operations. This indicates that there is a material uncertainty, which may cast substantial uncertainty about the Entity's ability to continue its operations.

As indicated in the management commentary on page 6 and in note 1, the Entity has positive expectations about future earnings and cash-flow generation. The financial statements have been prepared assuming that the Entity is a going concern. Our conclusion is not modified in this respect.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing 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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

Independent auditor's report

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 reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Copenhagen, 29.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

Management commentary

Primary activities

The Entity's activities include design, development and sales of innovative cooling solutions.

Development in activities and finances

2018 was the year where the Entity started its sales activities. The Entity had a minor loss before tax of DKK -305,646 which is a significant improvement compared to 2017. The income statement for 2018 shows a profit after tax of DKK 164,764.

During 2018, the Entity obtained long-term financing from Vækstfonden to support the development and sales activities. The end balance sheet shows an equity of DKK 2,555,996.

The Entity has a positive development in the order intake and Management has positive expectations to the 2019 earnings and cash-flow development. The Entity is in dialogue with its investors and other financing sources to secure funding to cover any financing needs that may arise during 2019 as a result of short-term negative working capital development.

On this basis, the financial statements have been prepared assuming that the Entity is a going-concern.

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.

Income statement for 2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|-----------------------|---------------------------|
| Gross profit/loss | | 1.090.003 | (919.755) |
| Staff costs | 2 | (662.787) | (1.266.483) |
| Depreciation, amortisation and impairment losses | 3 | <u>(650.000)</u> | <u>0</u> |
| Operating profit/loss | | (222.784) | (2.186.238) |
| Other financial income | | 25.244 | 620 |
| Other financial expenses | | <u>(108.106)</u> | <u>(14.275)</u> |
| Profit/loss before tax | | (305.646) | (2.199.893) |
| Tax on profit/loss for the year | 4 | <u>470.410</u> | <u>440.000</u> |
| Profit/loss for the year | | <u>164.764</u> | <u>(1.759.893)</u> |
| Proposed distribution of profit/loss | | | |
| Transferred to other reserves | | (1.850.000) | (2.000.000) |
| Retained earnings | | <u>2.014.764</u> | <u>240.107</u> |
| | | <u>164.764</u> | <u>(1.759.893)</u> |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--------------------------------|--------------|---------------------|---------------------|
| Completed development projects | | 3.850.000 | 2.000.000 |
| Intangible assets | | 3.850.000 | 2.000.000 |
| Deposits | | 28.135 | 28.135 |
| Fixed asset investments | | 28.135 | 28.135 |
| Fixed assets | | 3.878.135 | 2.028.135 |
| Raw materials and consumables | | 99.646 | 0 |
| Inventories | | 99.646 | 0 |
| Trade receivables | | 0 | 720.715 |
| Other receivables | | 111.401 | 65.934 |
| Income tax receivable | | 470.410 | 440.000 |
| Receivables | | 581.811 | 1.226.649 |
| Cash | | 3.235.226 | 351.077 |
| Current assets | | 3.916.683 | 1.577.726 |
| Assets | | 7.794.818 | 3.605.861 |

Balance sheet at 31.12.2018

| | <u>Notes</u> | <u>2018 DKK</u> | <u>2017 DKK</u> |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 5 | 78.700 | 78.700 |
| Other reserves | | (3.850.000) | (2.000.000) |
| Retained earnings | | <u>6.327.296</u> | <u>4.312.532</u> |
| Equity | | <u>2.555.996</u> | <u>2.391.232</u> |
| Debt to other credit institutions | 6 | <u>1.932.790</u> | <u>0</u> |
| Non-current liabilities other than provisions | | <u>1.932.790</u> | <u>0</u> |
| Other payables | 7 | 339.864 | 486.804 |
| Deferred income | | <u>2.966.168</u> | <u>727.825</u> |
| Current liabilities other than provisions | | <u>3.306.032</u> | <u>1.214.629</u> |
| Liabilities other than provisions | | <u>5.238.822</u> | <u>1.214.629</u> |
| Equity and liabilities | | <u>7.794.818</u> | <u>3.605.861</u> |
| Going concern | 1 | | |
| Contingent assets | 8 | | |

Statement of changes in equity for 2018

| | Contributed capital DKK | Other reserves DKK | Retained earnings DKK | Total DKK |
|--------------------------------|--|-------------------------------|--------------------------------------|----------------------|
| Equity beginning of year | 78.700 | (2.000.000) | 4.312.532 | 2.391.232 |
| Profit/loss for the year | 0 | (1.850.000) | 2.014.764 | 164.764 |
| Equity end of year | 78.700 | (3.850.000) | 6.327.296 | 2.555.996 |

Notes

1. Going concern

The Entity is a start-up entity which has started sales activities in 2018. Based on development in order intake Management has positive expectations for 2019 and expects to generate positive cash-flow from its operations in 2019. Management is simultaneously working on securing additional financing. On this basis the financial statements have been prepared on a going concern basis.

| | 2018 | 2017 |
|---------------------------------|--------------------|--------------------|
| | DKK | DKK |
| 2. Staff costs | | |
| Wages and salaries | 2.105.211 | 2.410.364 |
| Pension costs | 277.200 | 463.150 |
| Other social security costs | 17.982 | 220.427 |
| Other staff costs | (37.606) | (27.458) |
| Transferto development projects | <u>(1.700.000)</u> | <u>(1.800.000)</u> |
| | 662.787 | 1.266.483 |
| | | |
| Average number of employees | <u>4</u> | <u>5</u> |

| | 2018 | 2017 |
|--|----------------|-------------|
| | DKK | DKK |
| 3. Depreciation, amortisation and impairment losses | | |
| Amortisation of intangible assets | <u>650.000</u> | <u>0</u> |
| | 650.000 | 0 |

| | 2018 | 2017 |
|---|------------------|------------------|
| | DKK | DKK |
| 4. Tax on profit/loss for the year | | |
| Income tax credit | <u>(470.410)</u> | <u>(440.000)</u> |
| | (470.410) | (440.000) |

| | Number | Par value | Nominal |
|-------------------------------|---------------|------------------|----------------|
| | | DKK | value |
| | | | DKK |
| 5. Contributed capital | | | |
| Contributed capital, A-shares | 50.000 | 100 | 50.000 |
| Contributed capital, B-shares | <u>28.700</u> | 100 | <u>28.700</u> |
| | 78.700 | | 78.700 |

Notes

The Entity is authorised to issue warrants for A-shares for a total amount of up to nominally DKK 5,517. The shares shall be issued at a price corresponding to DKK 400 per A-share of nominally DKK 1.00.

6. Long-term debt to other credit institutions

Long-term debt from credit institutions represent a loan from Vækstfonden with a principal of DKK 2 million. Loan costs of DKK 73,320 has been capitalized and is amortised over the term of the loan, whereby the carrying value of the loan is DKK 1,932,790 at 31 December 2018. Interest is paid on a quarterly basis. Instalments will be paid from 1 April 2020. DKK 150,747 falls due after 31 December 2023.

| | 2018 | 2017 |
|---|----------------|----------------|
| | DKK | DKK |
| 7. Other payables | | |
| Wages and salaries, personal income taxes, social security costs, etc payable | 86.798 | 109.311 |
| Holiday pay obligation | 233.066 | 328.906 |
| Other costs payable | 20.000 | 48.587 |
| | 339.864 | 486.804 |

8. Contingent assets

The Entity has an unrecorded deferred tax asset of DKK 654 thousand.

Accounting policies

Reporting class

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

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

The Entity has presented a condensed gross loss for competitive reasons.

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed 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.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including development costs and 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.

Accounting policies

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.

Other financial income

Other financial income comprises interest income.

Other financial expenses

Other financial expenses comprise interest expenses, currency losses and 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

Intellectual property rights etc

Intellectual property rights etc comprise 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 entity 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 cost of sales that are directly and indirectly attributable to the development projects.

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

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

Accounting policies

Receivables

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

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Deferred income

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