

Energy Machines ApS

Bjernevej 5

5600 Faaborg

Central Business Registration No

38192191

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting

Name: Knud Erik Banke Kristensen

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Entity details

Entity

Energy Machines ApS
Bjernevej 5
5600 Faaborg

Central Business Registration No: 38192191

Founded: 18.11.2016

Registered in: Faaborg-Midtfyn

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Knud Erik Banke Kristensen, chairman
Jens Olle Petter Termén
Johan Harald Gedda

Executive Board

Johan Harald Gedda

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and Executive Board have today considered and approved the annual report of Energy Machines ApS for the financial year 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 31.05.2018

Executive Board

Johan Harald Gedda

Board of Directors

Knud Erik Banke Kristensen
chairman

Jens Olle Petter Termén

Johan Harald Gedda

Independent auditor's reports

To the owner of Energy Machines ApS

Report on extended review of the financial statements

We have performed an extended review of the financial statements of Energy Machines ApS for the financial year 01.01.2017 – 31.12.2017. The financial statements, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity Energy Machines ApS and notes, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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.

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

Independent auditor's reports

with the financial statements or our knowledge obtained in the review 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.

Odense, 31.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Lars Leopold Larsen
State Authorised Public Accountant
Identification number (MNE) mne33229

Management commentary

Primary activities

The Company's activity consists of investing in securities and other assets management.

Development in activities and finances

Loss for the year was 7.130 T.DKK. The executive board is not satisfied with the result.

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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross loss		(2.393.400)	(23.645)
Staff costs	1	(1.133.372)	0
Depreciation, amortisation and impairment losses	2	<u>(2.208.235)</u>	<u>0</u>
Operating profit/loss		(5.735.007)	(23.645)
Income from investments in group enterprises		(2.500.000)	0
Other financial income	3	134.125	0
Other financial expenses	4	<u>(335.531)</u>	<u>0</u>
Profit/loss before tax		(8.436.413)	(23.645)
Tax on profit/loss for the year	5	<u>1.306.011</u>	<u>5.202</u>
Profit/loss for the year		<u>(7.130.402)</u>	<u>(18.443)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(7.130.402)</u>	<u>(18.443)</u>
		<u>(7.130.402)</u>	<u>(18.443)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		13.915.442	79.259
Acquired rights		24.806.273	0
Intangible assets	6	<u>38.721.715</u>	<u>79.259</u>
Other fixtures and fittings, tools and equipment		53.959	0
Property, plant and equipment	7	<u>53.959</u>	<u>0</u>
Investments in group enterprises		3.055.534	0
Fixed asset investments	8	<u>3.055.534</u>	<u>0</u>
Fixed assets		<u>41.831.208</u>	<u>79.259</u>
Receivables from group enterprises		1.165.391	0
Deferred tax		1.288.574	0
Other receivables		118.939	55.744
Income tax receivable		0	22.639
Receivables		<u>2.572.904</u>	<u>78.383</u>
Cash		<u>3.694.969</u>	<u>186.908</u>
Current assets		<u>6.267.873</u>	<u>265.291</u>
Assets		<u>48.099.081</u>	<u>344.550</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		131.340	110.000
Reserve for development expenditure		10.854.045	0
Retained earnings		<u>34.543.927</u>	<u>(18.443)</u>
Equity		<u>45.529.312</u>	<u>91.557</u>
Trade payables		0	12.431
Payables to group enterprises		2.260.028	200.000
Other payables		<u>309.741</u>	<u>23.125</u>
Current liabilities other than provisions		<u>2.569.769</u>	<u>235.556</u>
Liabilities other than provisions		<u>2.569.769</u>	<u>235.556</u>
Equity and liabilities		<u>48.099.081</u>	<u>344.550</u>
Contingent liabilities	9		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	110.000	0	(18.443)	91.557
Increase of capital	21.340	0	50.000.000	50.021.340
Sale of treasury shares	0	0	2.546.817	2.546.817
Transfer to reserves	0	10.854.045	(10.854.045)	0
Profit/loss for the year	0	0	(7.130.402)	(7.130.402)
Equity end of year	131.340	10.854.045	34.543.927	45.529.312

Notes

	2017	2016
	DKK	DKK
1. Staff costs		
Wages and salaries	1.080.442	0
Pension costs	31.929	0
Other social security costs	12.069	0
Other staff costs	8.932	0
	1.133.372	0
Average number of employees	3	1
	2017	2016
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.190.780	0
Depreciation of property, plant and equipment	17.455	0
	2.208.235	0
	2017	2016
	DKK	DKK
3. Other financial income		
Financial income arising from group enterprises	133.424	0
Interest income	701	0
	134.125	0
	2017	2016
	DKK	DKK
4. Other financial expenses		
Financial expenses from group enterprises	193.863	0
Interest expenses	141.668	0
	335.531	0
	2017	2016
	DKK	DKK
5. Tax on profit/loss for the year		
Tax on current year taxable income	0	(22.639)
Change in deferred tax for the year	(1.306.011)	17.437
	(1.306.011)	(5.202)

Notes

	Completed develop- ment projects DKK	Acquired rights DKK
6. Intangible assets		
Cost beginning of year	79.259	0
Additions	<u>14.015.644</u>	<u>26.817.592</u>
Cost end of year	<u>14.094.903</u>	<u>26.817.592</u>
Amortisation for the year	<u>(179.461)</u>	<u>(2.011.319)</u>
Amortisation and impairment losses end of year	<u>(179.461)</u>	<u>(2.011.319)</u>
Carrying amount end of year	<u>13.915.442</u>	<u>24.806.273</u>

The development projects consist of af newly developed generation of efficient heat pumps. Furthermore development projects consist of systems that ensure optimal indoor climate as well af 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 at the end of 2018 whereupon the products are expeted to be rolled out in the remaing Nordic markets.

	Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment	
Additions	<u>71.414</u>
Cost end of year	<u>71.414</u>
Depreciation for the year	<u>(17.455)</u>
Depreciation and impairment losses end of the year	<u>(17.455)</u>
Carrying amount end of year	<u>53.959</u>

Notes

	Investments in group enterprises DKK
8. Fixed asset investments	
Additions	<u>5.555.534</u>
Cost end of year	<u>5.555.534</u>
Impairment losses for the year	<u>(2.500.000)</u>
Impairment losses end of year	<u>(2.500.000)</u>
Carrying amount end of year	<u>3.055.534</u>

9. Contingent liabilities

The Company participates in a Danish joint taxation arrangement with Kapitalen ApS. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed companies.

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 with addition of certain provisions for reporting class C.

The accounting policies applied for these 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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

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.

Accounting policies

Other external expenses

Other external expenses comprise expenses relating to the Entity's ordinary activities, including office supplies, marketing costs, etc. The item also includes write-downs of receivables recognised in current assets.

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.

Other financial income

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

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 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.

The Entity is jointly taxed with its Parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Rights acquired are measured at cost less accumulated amortisation and impairment losses. The rights are amortised over the contractual period.

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

Accounting policies

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.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is usually five years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Development projects and rights are written down to the lower of recoverable amount and carrying amount.

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.

Patent 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

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.

All finance costs are recognised in the income statement.

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, tool and equipment	3 years
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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.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs 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 carryforwards, 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.

Income tax payable or receivable

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.

Cash

Cash comprises bank deposits.

Other financial liabilities

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