Energy Machines ApS

Bryghuspladsen 8, 4. 402
1473 København K
Denmark

CVR no. 38 19 21 91

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

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Energy Machines 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 financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

København, 26 June 2020
Executive Board:

Johan Harald Gedda

Board of Directors:

Knud Erik Banke Kristensen Chairman	Jens Olle Petter Termén	Johan Harald Gedda

Statement by the Board of Directors and the Executive Board

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

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

København, 26 June 2020
Executive Board:

Johan Harald Gedda

Board of Directors:

Knud Erik Banke Kristensen Chairman	Jens Ole Petter Termén	Johan Harald Gedda

The independent auditor's extended review report on the financial statements

To the shareholders of Energy Machines ApS

Conclusion

We have performed an extended review of the financial statements of Energy Machines 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. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibility for the extended review of the financial statements" section of our report. We are independent of the Company 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.

Emphasis of matter - material uncertainty regarding measurement

We draw attention to note 2 to the financial statements where material uncertainties regarding measurement of intangible assets are described. Our opiion is not modified in respect of this matter.

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 that 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 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The independent auditor's extended review report on the financial statements

Auditor's responsibility for the extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required supplementary procedures in order to obtain additional assurance for our conclusion.

An extended review comprises procedures primarily consisting of making enquiries of Management and others within the entity, as appropriate, applying analytical procedures and the specifically required supplementary procedures, and evaluating the evidence obtained.

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

Statement on the Management's review

Management is responsible for Management's review.

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

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

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

Based on the work we have performed, we conclude that Management's review 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 Management's review.

Copenhagen, 26 June 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jesper Bo Pedersen
State Authorised
Public Accountant
mne42778

Management's review

Company details

Energy Machines ApS
Bryghuspladsen 8, 4. 402
1473 København K
Denmark

CVR no.:	38 19 21 91
Established:	18 November 2016
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

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

Executive Board

Johan Harald Gedda

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The Company's activities comprise developing intangible assets and investing the capital.

Uncertainty regarding measurement

Capitalised development projects of DKK 13,887 thousand and acquired patents of DKK 19,827 thousand are recognised in the financial statements under intangible assets. Uncertainty exist in regard to the measurement hereof, as the measurement is based on an impairment test were positive free cash flows will be realised from 2022. If future cash flows are not realised as expected, this could result in that the assets are impaired and have to been written down. However, Management is of the opinion that future cash flows expected to be generated from the assets (recoverable value) exceeds the book value of the assets.

Development in activities and financial position

The Company's income statement for 2019 shows a loss of DKK -13,849,145 as against DKK -8,457,376 in 2018. Equity in the Company's balance sheet at 31 December 2019 stood at DKK 63,221,591 as against DKK 37,071,936 at 1 January 2018.

Events after the balance sheet date

Since the turn of the year, WHO has declared COVID-19 a pandemic affecting large parts of the world and our society. Management expects this pandemic to affect the result of the financial year 2020. Currently, it is not possible to quantify the effect of COVID-19 as no one knows how it will affect society in the long term. Management considers this a non-regulatory event. Besides COVID-19, no other subsequent events have occurred.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2019	2018
Gross loss		-6,898,786	-1,957,531
Staff costs	3	-3,893,167	-2,615,557
Depreciation, amortisation and impairment losses		-6,920,641	-5,296,805
Operating loss		-17,712,594	-9,869,893
Loss from equity investments in group entities		0	-676,753
Financial income	4	165,650	79,225
Financial expenses	5	-213,057	-184,490
Loss before tax		-17,760,001	-10,651,911
Tax on loss for the year	6	3,910,855	2,194,535
Loss for the year		-13,849,146	-8,457,376

Proposed distribution of loss

Retained earnings		-13,849,146	-8,457,376
		-13,849,146	-8,457,376

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets	7		
Completed development projects		13,887,334	18,051,843
Acquired patents		19,827,229	22,436,155
		33,714,563	40,487,998
Property, plant and equipment	8		
Fixtures and fittings, tools and equipment		47,974	30,155
Investments	9		
Investments in group entities		3,885,523	3,849,517
Deposits		4,465	72,000
		3,889,988	3,921,517
Total fixed assets		37,652,525	44,439,670
Current assets			
Receivables			
Trade receivables		54,591	127,456
Receivables from group entities		14,381,809	8,512,734
Other receivables		98,512	59,630
Corporation tax		3,910,855	0
Prepayments		43,418	21,772
		18,489,185	8,721,592
Cash at bank and in hand		12,134,526	116,305
Total current assets		30,623,711	8,837,897
TOTAL ASSETS		68,276,236	53,277,567

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital		302,387	131,340
Reserve for development costs		10,832,120	14,080,438
Retained earnings		52,087,083	22,860,158
Total equity		63,221,590	37,071,936
Provisions			
Provisions for deferred tax		2,201,606	315,461
Total provisions		2,201,606	315,461
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		2,121,378	661,190
Payables to group entities		0	14,878,034
Other payables		731,662	350,946
		2,853,040	15,890,170
Total liabilities other than provisions		2,853,040	15,890,170
TOTAL EQUITY AND LIABILITIES		68,276,236	53,277,567

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Statement of changes in equity

DKK	Contributed capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019	131,340	14,080,438	22,860,158	37,071,936
Cash capital increase	171,047	0	39,828,953	40,000,000
Cash capital reduction	0	0	-1,200	-1,200
Transfers, reserves	0	-3,248,318	3,248,318	0
Equity at 31 December 2019	302,387	10,832,120	52,087,083	63,221,590

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Energy Machines ApS for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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 that 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. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Gross loss

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross loss

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Revenue

Revenue from 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.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial expenses

Financial expenses comprise interest expense and transactions denominated in foreign currencies.

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

Tax on loss for the year

The Parent Company is subject to 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 corporation 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, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 5 years.

Patents, licences and trademarks

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

Development projects are written down to the recoverable amount if this is lower than the carrying amount

Patents and licences 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 10 years.

Patent of software rights	10 years

Acquired rights, etc., are written down to the recoverable amount if this is lower than the carrying amount based on the use of assets and expectation of budgets.

Property, plant and equipment

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.

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1 Accounting policies (continued)

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 years

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

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.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates 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.

Investments

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

Deposits are measured at amortised cost.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 based on the planned use of the asset or settlement of the liability. 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.

Prepayments

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

Cash at bank and in hand

Cash at the bank and cash in the hand comprises cash.

Liabilities

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

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2 Disclosure of material uncertainties regarding measurement

Capitalised development projects of DKK 13,887 thousand and acquired patents of DKK 19,827 thousand are recognised in the financial statements under intangible assets. Uncertainty exist in regards to the measurement hereof, as the measurement is based on an impairment test were positive free cash flows first will be realised from 2022. If future cash flows are not realised as expected, this could result in that the assets are impaired and have to been written down. However, management is of the opinion that the future cash flows expected to be generated from the assets (recoverable value) exceeds the book value of the assets.

DKK	2019	2018
3 Staff costs		
Wages and salaries	3,568,364	2,354,359
Pensions	107,791	92,747
Other social security costs	217,012	168,451
	3,893,167	2,615,557
Average number of full-time employees	6	4
4 Financial income		
Interest income from group entities	0	79,225
Exchange gains	165,650	0
	165,650	79,225
5 Financial expenses		
Interest expense to group entities	208,989	178,549
Other financial costs	4,068	5,941
	213,057	184,490
6 Tax on profit/loss for the year		
Current tax for the year	-5,676,612	0
Deferred tax for the year	1,765,757	-2,194,535
	-3,910,855	-2,194,535

Financial statements 1 January – 31 December

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7 Intangible assets

DKK	Completed development projects	Acquired patents
Cost at 1 January 2019	20,822,546	27,129,233
Additions for the year	0	115,552
Cost at 31 December 2019	20,822,546	27,244,785
Amortisation and impairment losses at 1 January 2019	-2,770,703	-4,693,078
Amortisation for the year	-4,164,509	-2,724,478
Amortisation and impairment losses at 31 December 2019	-6,935,212	-7,417,556
Carrying amount at 31 December 2019	13,887,334	19,827,229

8 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment
Cost at 1 January 2019	71,414
Additions for the year	49,473
Cost at 31 December 2019	120,887
Depreciation and impairment losses at 1 January 2019	-41,259
Depreciation for the year	-31,654
Depreciation and impairment losses at 31 December 2019	-72,913
Carrying amount at 31 December 2019	47,974

Financial statements 1 January – 31 December

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9 Investments

DKK	Equity investments in group entities
Cost at 1 January 2019	7,026,270
Additions for the year	36,006
Cost at 31 December 2019	7,062,276
Impairments losses at 1 January 2018	-3,176,753
Revaluations 31 December 2019	-3,176,753
Carrying amount at 31 December 2019	3,885,523

Name	Registered office	Voting rights and ownership interest
Energy Machines AB	Malmö. Sweden	100%
GEP AB	Malmö, Sweden	100%
EKP Cool OY	Provoo, Finland	100%
Climate Machines FF AB	Malmö, Sweden	100%

10 Contractual obligations, contingencies, etc.

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.

Financial statements 1 January – 31 December

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11 Related party disclosures

Energy Machines ApS' related parties comprise the following:

Consolidated financial statements

Kapitalen ApS is the owner of the Company.

Energy Machines ApS is part of the consolidated financial statements of Kapitalen ApS, Bryghuspladsen 8, 4. 402, 1473 København K, Denmark, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements are publicly avaible from the parent company: