

APMH INVEST IV A/S ANNUAL REPORT 2019



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COMPANY INFORMATION

APMH Invest IV A/S
Esplanaden 50
1263 Copenhagen

AUDITOR
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Homepage: www.apmoller.com
Business Registration No.: 39 18 30 56
Founded: 21 December 2017

OWNER
APMH Invest IV A/S is 100% owned by
APMH Invest A/S

BOARD OF DIRECTORS
Jan Thorsgaard Nielsen (Chairman)
Maria Pejter
Martin N. Larsen

EXECUTIVE BOARD
Samir Abboud

MANAGEMENT REVIEW

The ambition of A.P. Moller Holding is through APMH Invest IV to introduce geothermal energy on a large scale starting with Denmark, and hereby support the green transformation of heating sources to district heating solutions. Geothermal energy is a renewable and currently untapped energy source with the potential to cover approx. 30% of Denmark's energy supply for district heating.

In June 2018, A.P. Moller Holding transferred their geothermal energy project to APMH Invest IV. The project was initiated in 2017 by gathering a team of specialists with extensive experience from developing large, complex, and capital intensive subsurface projects. Such competencies are crucial in order to exploit geothermal energy.

Our business model stands out from existing projects (local small scale plant), as it is our ambition to industrialise geothermal heating by utilising geothermal energy on a large scale lowering costs and offering the district heating companies - and the consumers - renewable heating at competitive prices.

Our value proposition to our customers is that we deliver "hot water" for heating on long-term contracts at pre-agreed prices, against assuming the operational risk both in the exploration, construction and operation phase.

The company has entered into a strategic partnership with Danfoss who are leading experts within district heating systems and energy efficiency.

The company already holds the licenses for geothermal exploration in North Zealand, Aalborg and Aarhus. We are in the process of transferring the license for Aalborg to a third party as Aalborg is pursuing a different business model than the one we are offering.

In October 2018, a Letter of Intent was signed with Aarhus Municipality. The parties have started exclusive negotiations about a heat delivery contract, where the company is responsible for delivering geothermal heat for use in Aarhus' district heating. The negotiations are still on-going and we expect them finalised within 2020.

Furthermore, we are in dialogue with other district heating companies regarding the green transformation of heating sources.

Introducing geothermal energy at a large scale in Denmark requires a level playing field with other green energy sources and a stable and predictable regulatory framework, where we can enter into long-term contracts, offering renewable energy at competitive prices. We are in dialogue with relevant authorities on these matters.

PROFIT/LOSS FOR THE YEAR

Net loss for the year after tax amounted to DKK 0.5m (DKK 0.1m).

The result for the year is proposed transferred to retained earnings. No dividend is proposed for 2019.

As of 31 December 2019, the equity amounted to DKK 41.9m (DKK 20.4m).

OUTLOOK FOR 2020

The development of the geothermal energy project will continue in 2020. The company's profit will essentially come from the share of the profit of its future activities. As for 2020, a net loss for the year is expected due to the continuing development of the geothermal energy project.



INCOME STATEMENT FOR 1 JANUARY TO 31 DECEMBER

Note	Amounts in DKK	2019	2018
1	Other external expenses	-672,504	-99,137
	Loss before financial items	-672,504	-99,137
	Other financial expenses	-56,089	-17,599
	Loss before tax	-728,593	-116,736
2	Tax on loss for the year	221,662	22,657
	Net loss for the year	-506,931	-94,079
	Reserve for development costs	19,366,858	17,457,834
	Retained earnings	-19,873,789	-17,551,913
	Net loss for the year	-506,931	-94,079

BALANCE SHEET AS OF 31 DECEMBER

Assets

Note	Amounts in DKK	2019	2018
3	Project under development	43,424,570	22,580,132
	Intangible assets	43,424,570	22,580,132
	Total fixed assets	43,424,570	22,580,132
	Tax receivables	4,497,379	4,600,340
	Other receivables	787,019	512,962
	Total receivables	5,284,398	5,113,302
	Cash and bank balances	6,066,949	969,695
	Total current assets	11,351,347	6,082,997
	Total assets	54,775,917	28,663,129

Equity and Liabilities

Note	Amounts in DKK	2019	2018
	Equity		
4	Share capital	500,000	500,000
	Reserve for development costs	36,824,692	17,457,834
	Retained earnings	4,577,278	2,451,067
	Total equity	41,901,970	20,408,901
	Short-term debt		
	Trade payables	1,728,425	1,701,566
	Trade payables, affiliates	1,178,940	34,823
	Deferred tax	6,599,878	4,577,400
	Other payables	3,366,704	1,940,439
	Total short-term debt	12,873,947	8,254,228
	Total liabilities	12,873,947	8,254,228
	Total equity and liabilities	54,775,917	28,663,129

- 5 Related parties
- 6 Contingent liabilities
- 7 Events after the balance sheet date
- 8 Accounting policies



STATEMENT OF CHANGES IN EQUITY

Amounts in DKK	Share capital	Reserve for development costs	Retained earnings	Total
Equity as of 1 January 2018	50,000	0	-7,020	42,980
Capital increase	450,000	0	10,000	460,000
Group contribution	0	0	20,000,000	20,000,000
Net profit for the year	0	17,457,834	-17,551,913	-94,079
Equity as of 31 December 2018	500,000	17,457,834	2,451,067	20,408,901
Group contribution	0	0	22,000,000	22,000,000
Net profit for the year	0	19,366,858	-19,873,789	-506,931
Equity as of 31 December 2019	500,000	36,824,692	4,577,278	41,901,970

Note 1: Staff cost

	2019	2018
Average number of employees	5	6

Note 2: Tax on profit/loss for the year

Amounts in DKK	2019	2018
Tax on profit/loss for the year	-4,497,379	-4,600,340
Adjustment of tax concerning previous years	0	283
Adjustment of deferred tax	4,275,717	4,577,400
Total	-221,662	-22,657

Note 3: Project under development

The company is working towards introducing geothermal heating on a large scale in Denmark. Geothermal energy is a renewable and currently untapped energy source with the potential to cover approx. 30% of Denmark's energy supply for district heating.

A team of specialists with extensive experience from large, complex, and capital intensive projects developing the subsurface has been put together. Such competencies are key in order to exploit geothermal energy.

There are currently three minor geothermal plants in Denmark, but our new business model differs from the existing projects. Our ambition is to utilise geothermal energy on a large scale so we can lower the costs and offer the district heating companies - and the consumers - renewable heating at competitive prices. Our business model means that we are responsible for exploration, construction and operation of the plants. Hence, the consumers will not end up paying the bill if things should not proceed as planned.

The company has entered into a strategic partnership with Danfoss who are leading experts within district heating system and energy efficiency.

In October 2018, a Letter of Intent was signed with Aarhus Municipality. The parties have started exclusive negotiations about a heat delivery contract, where the company is responsible for delivering geothermal heat for use in Aarhus' district heating.

As the company is negotiating a heat delivery contract and exploration is to be initiated, our business model and utilisation of geothermal energy are subject to uncertainties. It is expected to take 5-6 years from the first exploration until the geothermal plant is ready to provide warm water to the district heating companies. In 2019, the company has been funded by equity from the shareholder of the company.

Note 4: Share capital

The share capital is nominal DKK 500,000, divided into shares of nominal DKK 1 each.

Note 5: Related parties

APMH Invest VI A/S holds 100% of the company's share capital and the controlling interest in the company.

The company has not entered into any transactions with related parties that were not on an arm's length basis.

CONSOLIDATED FINANCIAL STATEMENTS

APMH Invest IV A/S is included in the consolidated financial statements for A.P. Møller Holding A/S, Copenhagen, Denmark, Business Registration No 25 67 92 88. The consolidated financial statement of A.P. Møller Holding A/S can be required at www.cvr.dk.

Note 6: Contingent liabilities

The company is included in national joint taxation with Danish companies in the A.P. Møller Holding group. The company is jointly and severally liable for the payment of taxes and withholding tax.

Note 7: Events after the balance sheet date

No events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.

Note 8: Accounting policies

The Financial Statements for 2019 for APMH Invest IV A/S have been prepared on a going concern basis and in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with a selection of certain rules from reporting class C.

The accounting policies applied to the financial statements are consistent with those applied last year.

The Financial Statements are presented in DKK.

FOREIGN CURRENCY TRANSLATION

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing on the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as per the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

INCOME STATEMENT

Expenses

Other external expenses comprise expenses for administration, office supplies, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees.

Financial items

Other financial income and expenses comprise interest and net exchange gains and losses on transactions in foreign currencies etc.

Tax

Tax comprises an estimate of current and deferred income tax as well as adjustments to previous years of those.

Tax is recognised in the income statement to the extent it arises from items recognised in the income statement.

BALANCE SHEET

Intangible assets

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

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

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

Receivables

Receivables are generally recognised at nominal value, substantially corresponding to amortised cost and impaired for expected losses. Impairment of receivables are based on the expected loss model as described in IFRS 9.

Cash

Cash comprises cash in bank deposits.

Liabilities

Other financial liabilities are measured at amortised cost, substantially corresponding to nominal value.



MANAGEMENT'S STATEMENT

Copenhagen, 15 April 2020

Executive Board

Samir Abboud

Board of Directors

Jan Thorsgaard Nielsen
Chairman

Maria Aagaard Pejter

Martin Nørkjær Larsen

The Executive and Supervisory Boards have today considered and adopted the Annual Report of APMH Invest IV A/S for the financial year 1 January-31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the company and of the results of the company operations for 2019.

In our opinion, Management Review includes a true and fair account of the development in the operations and financial circumstances of the company, of the results for the year and of the financial position of the company as well as a description of the most significant risks and elements of uncertainty facing the company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

INDEPENDENT AUDITOR'S REPORT

To the shareholder of APMH Invest IV A/S

OPINION

In our opinion, the Financial Statements give a true and fair view of the financial position of the company 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.

We have audited the Financial Statements of APMH Invest IV A/S for the financial year 1 January-31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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

STATEMENT ON MANAGEMENT REVIEW

Management is responsible for Management Review.

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

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

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

Based on the work we have performed, in our view, Management 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 in Management Review.

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 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.

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 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 judgment and maintain professional skepticism 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Copenhagen, 15 April 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
MNE-number 30141