



Smedeland 6, 2600 Glostrup, Denmark

2019 Annual Financial Report

The annual report was presented and approved at the Company's annual general meeting
On March 5th 2020

Signed by Mia Knudsen
Chairman

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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 Cool Sorption A/S for the financial year 1 January – 31 December 2019.

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.

Glostrup, March 5th 2020
Executive Board:

Tine Høj Andersen
CEO

Board of Directors:

Øyvind Paaske
Chairman

Bruce Nicolas Lethuillier

Børre Andreas Sveen



Independent auditor's report

To the shareholders of Cool Sorption A/S

Opinion

We have audited the financial statements of Cool Sorption A/S for the financial year 1 January – 31 December 2019, comprising income statement, balance sheet and notes, including 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 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 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 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 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.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 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 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 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.



Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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 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, March 5th 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Henrik Kyhnau
State Authorised
Public Accountant
mne40028

Management's review

Company details

| | |
|--------------------------|--|
| Cool Sorption Address | Smedeland 6, 2600 Glostrup |
| Telephone: | 43 45 47 45 |
| Website: | www.coolsorption.com |
| E-mail: | coolsorption@coolsorption.com |
| CVR no. | 87 98 00 14 |
| Established: | March 19 th 1980 |
| Registered office: | Albertslund |
| Financial year: | 1 January – 31 December |

Board of Directors

Øyvind Paaske

Bruce Nicolas Lethuillier

Børre Andreas Sveen

Executive Board

Tine Høj Andersen

Auditor

KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28, 2100 København Ø

Annual general meeting

The annual general meeting will be held on March 5th 2020.

Operating review

Principal activities

Cool Sorption's (hereafter called the company) main activity is like prior years to develop, design, produce and service vapour recovery units for the oil and gas industry.

Development in activities and financial matters

The company's result for the year is increased from 3.854 tDKK in 2018 to 10.931 tDKK in 2019. The reason for the increase is mainly to be found in the delivery of large projects. The management is satisfied with the result given the weak market activity. The company has continued to increase its gross profits and market shares from 2018 to 2019, which is also seen as very satisfying.

Events after balance sheet date

No significant events after the balance sheet date has occurred.

Financial statements 1 January – 31 December

Income statement

| DKK'000 | Note | 2019 | 2018 |
|---------------------------------|------|---------|---------|
| Gross profit | | 74.464 | 26.968 |
| Distribution costs | | -43.099 | -10.301 |
| Administrative expenses | 2 | -17.150 | -12.963 |
| Ordinary result | | 14.215 | 3.704 |
| Operating result | | | |
| Other financial income | | 542 | 523 |
| Other financial expenses | | -743 | -373 |
| Result before tax | | 14.014 | 3.854 |
| Tax on profit/loss for the year | 3 | -3.083 | 0 |
| Result for the year | | 10.931 | 3.854 |
| Dividend for the year | | 3.736 | 0 |
| Retained earnings | | 7.195 | 3.854 |
| | | 10.931 | 3.854 |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2019 | 2018 |
|--|------|----------------------|----------------------|
| ASSETS | | | |
| Fixed Assets | | | |
| Technical Assets | | 242 | 382 |
| Other Fixed Assets | | 235 | 133 |
| | | <u>477</u> | <u>515</u> |
| Intangible Assets | | | |
| Development work | | 38 | 189 |
| | | <u>38</u> | <u>189</u> |
| Total fixed assets | | <u>515</u> | <u>704</u> |
| Current assets | | | |
| Inventories | | | |
| Raw materials and consumables | | 551 | 714 |
| | | <u>551</u> | <u>714</u> |
| Receivables | | | |
| Work in progress | 4 | 46.361 | 2.426 |
| Trade receivables | | 7.887 | 17.761 |
| Deferred Tax Asset | | 4.410 | 7.494 |
| Other receivables | | 1.116 | 1.003 |
| Prepayments | | 3.193 | 1.595 |
| | | <u>62.967</u> | <u>30.279</u> |
| Cash at bank and cash equivalents | | <u>9.596</u> | <u>5.892</u> |
| Total current assets | | <u>73.114</u> | <u>36.885</u> |
| TOTAL ASSETS | | <u><u>73.629</u></u> | <u><u>37.589</u></u> |

Financial statements 1 January – 31 December

Balance sheet

| DKK'000 | Note | 2019 | 2018 |
|--|------|---------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Contributed capital | | 3.905 | 3.905 |
| Dividend for the year | | 3.736 | 0 |
| Retained earnings | | 14.189 | 6.994 |
| Total equity | | 21.830 | 10.899 |
| Provisions | | | |
| Provisions for warranty | | 1.493 | 1.457 |
| Total provisions | | 1.493 | 1.457 |
| Liabilities other than provisions | | | |
| Current liabilities other than provisions | | | |
| Prepayments received from customers | 4 | 1.913 | 4.306 |
| Trade payables | | 7.859 | 7.405 |
| Payables to group entities | | 439 | 1.930 |
| Other payables, including taxes payable | | 40.095 | 11.592 |
| Short term liabilities | | 50.306 | 25.233 |
| Total liabilities other than provisions | | 72.136 | 36.132 |
| TOTAL EQUITY AND LIABILITIES | | 73.629 | 37.589 |
| | | | |
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Financial statements 1 January – 31 December

Statement of changes in equity

| DKK'000 | Contributed capital | Reserve for capitalized Development Cost | Retained earnings | Dividend | Total |
|------------------------------------|------------------------|---|----------------------|--------------|---------------|
| Balance at 1 January 2019 | 3.905 | 147 | 6.847 | 0 | 10.899 |
| Result of the year | 0 | 0 | 7.195 | 3.736 | 10.931 |
| Reclassification | 0 | -117 | 117 | 0 | 0 |
| Balance at 31 December 2019 | 3.905 | 30 | 14.159 | 3.736 | 21.830 |

Financial statements 1 January – 31 December

Notes

1 Accounting Policies

The annual report of Cool Sorption A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

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

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.

Income statement

Revenue

Income from the sale of goods, comprising the sale of Vapour Recovery Units, Spare Parts hereto and Services hereof, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

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.

For products with a high degree of customisation, revenue is recognised as production takes place, and accordingly, revenue corresponds to the selling price of the work performed for the year (the percentage of completion method). When total income and costs attributable to the contract or the stage of completion at the balance sheet date cannot be estimated reliably, revenue is recognised only at costs incurred and only to the extent that the recovery thereof is likely.

Financial statements 1 January – 31 December

Notes

Accounting policies (continued)

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Production costs also include research and development costs.

In addition, provisions for bad debts on contract work are recognised.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises and office expenses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

Notes

Accounting policies (continued)

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

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Tax on profit/loss for the year

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

Fixed Assets

Machinery, Software, 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 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 years |
|--|---------|

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

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of 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.

Financial statements 1 January – 31 December

Notes

Accounting policies (continued)

Intangible Assets

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 5 years.

Development costs and costs for internally generated rights are recognised in the income statement in the acquisition year.

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.

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.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets.

All other leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Financial statements 1 January – 31 December

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Accounting policies (continued)

Other receivables and deposits

Other receivables and deposits are measured at amortised cost which usually corresponds to the nominal value.

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.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries. Indirect production overheads and borrowing costs are not recognised in cost.

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.

Projects in progress

Projects in progress are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual contract. When the selling price of a project in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual project in progress is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of project in progress where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of project in progress where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Financial statements 1 January – 31 December

Notes

Accounting policies (continued)

Trade 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.

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 office buildings non-deductible for tax purposes and other items where 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.

Financial statements 1 January – 31 December

Notes

Accounting policies (continued)

Equity

Dividends

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

Provisions

Provisions comprise anticipated costs of warranty obligations and other costs. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Warranties comprise obligations to make good any defects within the warranty period of 2-5 years. Provisions are recognised based on the Company's experience with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

When it is probable that total costs will exceed total income from a project in progress, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

Liabilities other than provisions

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

Financial statements 1 January – 31 December

Notes

2 Staff Cost

| DKK'000 | 2019 | 2018 |
|-----------------------------|---------------|---------------|
| Wages and salaries | 17.504 | 15.641 |
| Pensions | 2.277 | 2.063 |
| Other social security costs | 93 | 81 |
| | <u>19.874</u> | <u>17.785</u> |

Staff costs are recognised in the financial statements as follows:

| | | |
|---------------------------------------|---------------|---------------|
| Production costs | 9.735 | 10.170 |
| Distribution costs | 1.792 | 1.165 |
| Administrative expenses | 8.347 | 6.450 |
| | <u>19.874</u> | <u>17.785</u> |
| Average number of full-time employees | <u>27</u> | <u>26</u> |

3 Corporate Tax

| DKK'000 | 2019 | 2018 |
|---------------|--------------|----------|
| Corporate Tax | 3.083 | 0 |
| | <u>3.083</u> | <u>0</u> |

4 Work in Progress

| DKK'000 | 2019 | 2018 |
|---|---------------|---------------|
| Value of Work in Progress | 46.361 | 2.426 |
| On account invoicing | -1.913 | -4.306 |
| Net value of contract work | <u>44.448</u> | <u>-1.880</u> |
| That can be specified as follows: | | |
| Work in Progress (assets) | 46.361 | 2.426 |
| Pre-invoicing, Work in Progress (liabilities) | -1.913 | -4.306 |
| Net value specified | <u>44.448</u> | <u>-1.880</u> |

5 Contingent liabilities

Cool Sorption A/S has no pending lawsuits.

Lease obligations

The Company has entered into operating leases at the following amounts: DKK 1.828 thousand – hereof Office Premises DKK 1.696 thousand.

The remaining term of the leases is 34 months with an average monthly lease payment of DKK 49 thousand, totalling DKK 1.696 thousand.

6 Related Parties and Ownership

Cool Sorption A/S is part of the consolidated financial statements of Akastor ASA, P.O. Box 124, NO-1325 Lysaker, Norway. Akastor ASA owns Cool Sorption A/S 100% and is registered at the Oslo Stock Exchange. The consolidated annual report can be obtained on Akastor's website:

<https://akastor.com/news>