

# ANNUAL REPORT 2018

ECOCLIME GROUP AB (PUBL)  
CORPORATE ID: 556902-1800



# WE ARE ECOCLIME

We are a Swedish cleantech company offering proprietary technologies and patented products that distribute, recover, recycle and store thermal energy. We are active throughout the value chain: from R&D, to production, installation, operations and service. We deliver comprehensive hardware and software solutions that add value and reduce running costs for our clients' properties and operations. We grow by acquiring strong and well-established project and contracting companies, as well as through our core products that improve wellbeing, productivity, sustainability and energy efficiency. Our employee's ambition to innovate and passion for meeting customer requirements, paired with rapidly growing demand driven by environmental concerns, provide excellent conditions for our future growth.

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## Business concept

*Offer property owners and tenants cost-effective systems and operational solutions for improved indoor environments and sustainable energy supply. This results in healthy and productive properties that can be used more effectively at lower costs.*

## Values

“Trust, openness, utility and innovation that drives productivity and wellbeing for us and the environment” are our core values and characterise all our activities. Our company culture anchors our business methods in sustainability, where results enable growth and value creation for our customers, owners and employees.

## 2018 IN BRIEF



### Key events

- Acquisition of SDC Automation AB
- New orders valued at more than SEK 30M
- SEK 16.6M invested in product development and installations at client sites
- Successful rights issue generated SEK 51.5M

### Key figures

SEK 000s	2018	2017
Net sales	56 103	30 748
Profit after financial items	4 378	8 661
Profit as % of net sales	7,80	28,20
Total assets	157 517	95 701
Solidity (%)	71,00	72,00
Return on equity (%)	4,80	18,00
Return on total capital (%)	3,70	14,10
Quick ratio (%)	215,00	165,00

# RAPID GROWTH ON AN EXPANDING MARKET

We continue to experience rapid growth and our performance in 2018 was in line with our accelerating growth scenario. Cash flow improved markedly – and EBITDA-profit growth exceeded our 15 per cent target.

Ecoclime has become an increasingly important actor for property owners and operators that need to meet global climate and sustainability challenges. Our heat distribution and comfort cooling systems reduce emissions and cut energy costs by reducing external energy purchases, increasing energy recycling, and introducing efficiency measures that improve indoor climates. In 2018, we further strengthened our position with product investment, new business models and the acquisition of SDC Automation AB.

## Our company culture

Our rapid growth has seen our number of employees increase to more than 40. This puts greater demands on our culture, including our values that we encapsulate in the motto: “trust, openness, utility and innovation that drives productivity and wellbeing for us and the environment”. We focus on customer benefits that create an improved climate on a local level indoors, and on a global level through a reduced carbon footprint. This in turn means that our systems and internal processes are based on a spirit of trust, openness, and innovation where the ultimate goal is to always deliver what we promise and seek to make every customer relationship lifelong. This will happen in an environment where employees have ownership of the conditions in which they work and thereby achieve success. By growing our key performance indicators and incentives as aspects of our company culture, we have excellent opportunities to achieve our ambitious vision.

## Strong drivers

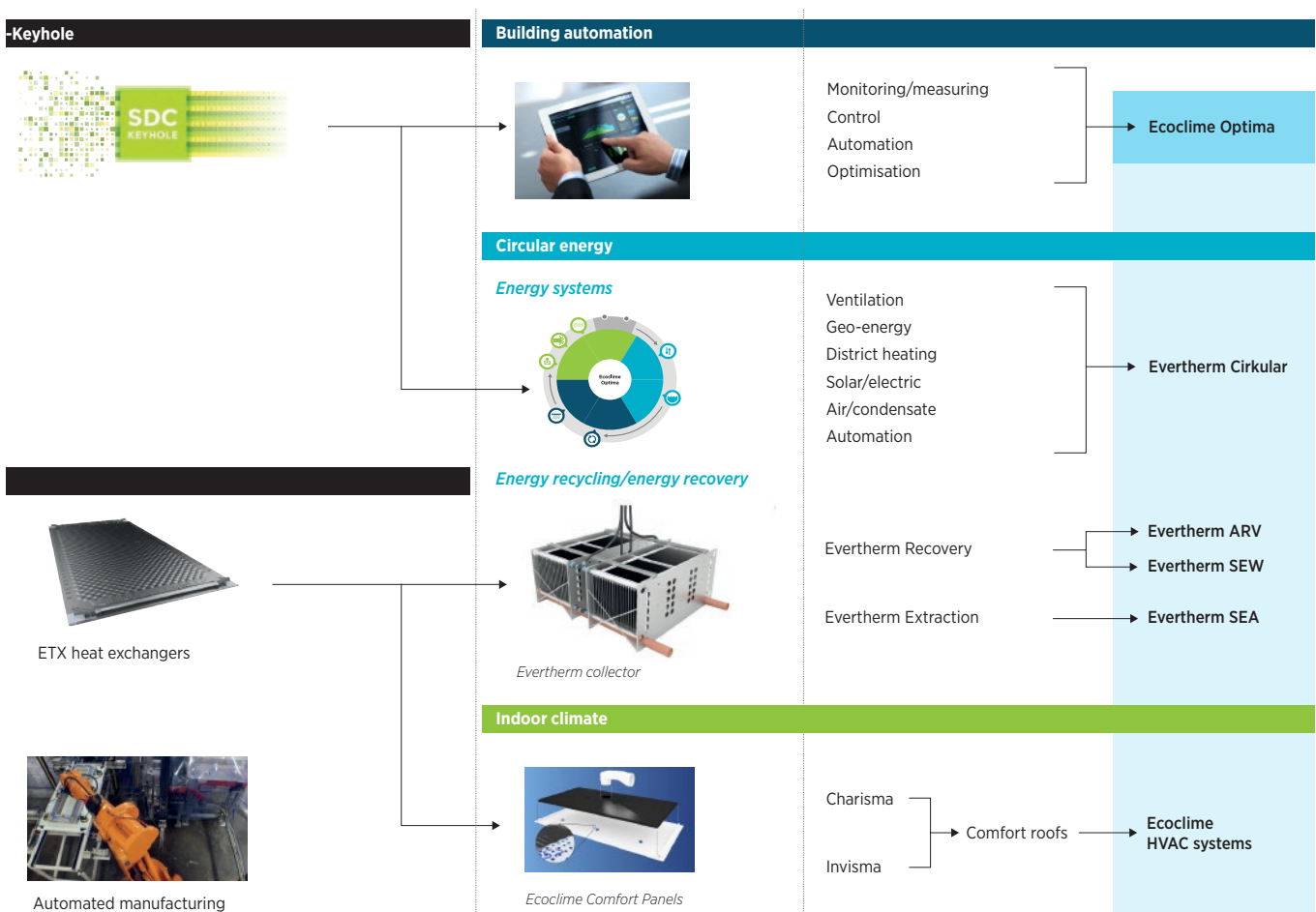
The drivers in the property market for environmental, comfort and energy efficiency are becoming increasingly significant in terms of productivity and occupant density (more employees in the same amount of space), as well as property profitability. Property valuations are increasingly

influenced by these factors, with premises being developed for a more climate- and environment-focused international property market.

Ecoclime’s products and systems create better indoor climates, with comfort cooling and heating from recycled and renewable energy that increases productivity in business and residential properties. Heating and comfort cooling accounts for more than 80 per cent of energy consumption in properties and therefore has a significant impact on profitability. In addition, the EU and other bodies such as Sweden’s National Board of Housing, Building and Planning, along with local authorities in Sweden, are placing ever greater demands on properties in terms of energy efficiency. Our solutions can reduce external energy purchases for comfort heating and cooling by up to 80 per cent. This may imply a return on investment in some cases in less than 12 months.

## Unique technologies

The expanded product and service platforms along with the licensed portfolio that we developed between 2013 and 2018, together with the rights issue of 2018, allow us to adopt a more offensive growth strategy. Key targets include indoor climate optimisation, thermal energy and property automation in commercial new-builds and Repairs Conversion Extension (RCE) properties as well as residential properties.



Our core technologies include:

- a fully automated manufacturing process to produce our patented polymeric heat exchanger (absorbers) for heating and cooling
- components manufactured for heat exchangers such as patented comfort panels and energy collectors for the absorption of thermal energy (heating/cooling) in a variety of applications
- components assembled into HVAC systems and energy collectors
- Internet of Things (IoT) platforms for the control and optimisation of thermal energy flows in buildings
- System solutions that enable recycling, recovery, accumulation, storage and distribution of thermal energy and energy-efficient production of thermal energy (comfort heating and cooling/DHW)

Due to installations across Sweden, and in response to the 2018 heatwave, we introduced an entirely new concept for stable indoor climates that guarantees ambient conditions. Our patented comfort control systems, which have already been installed in several properties, have demonstrated that we are able to maintain even temperature levels – draft-free and silently with cleaner and healthier air – at lower costs and reduced energy consumption.

## Rights issue to accelerate growth

The rights issue will enable us to grow faster through acquisitions and growing numbers of installations and operational capacity in Sweden, increased investment in our sales organisation, initial marketing initiatives in north European markets and additional product development. The rights issue will also pave the way for the roll-out of applications and operational capacity offering comfort guarantees, including several larger commercial properties in northern Europe.

**Lennart Olofsson**  
CEO Ecoclime Group



# OUR POSITION ON THE PROPERTY MARKET

There are growing incentives on the property market in terms of energy efficiency and improved indoor climate, as they affect productivity, occupant density and profitability. Property valuations are affected by these factors in an increasingly climate- and environment-focused international property market. Our technologies optimise indoor climate, with comfort cooling and comfort heating, and improve energy efficiency through recovered and renewable energy.

## Key customers: property owners that want to increase the value of their properties

Heating and comfort cooling accounts for more than 80 per cent of energy consumption in properties and has therefore, together with comfort, a significant impact on profitability. We can both create a better indoor climate and increase energy efficiency levels – in existing and new-build properties. A better indoor climate results in happier and more productive tenants. It also makes it possible to use premises more effectively and flexibly. Overall, this increases the value of our customers' properties.

## Ecoclime creates new opportunities

Under National Board of Housing energy consumption requirements, by 2025 new-build properties in Sweden will not be permitted to purchase more than 50 kWh/m<sup>2</sup> of energy. According to research conducted by Skanska Teknik and Ecoclime on new-build housing, our solution is the most cost efficient for recovering at least 80 per cent of waste heat from black and grey water. Our calculations show that our systems reduce the energy required to supply properties with comfort heating and comfort cooling to a far greater extent than any of our competitors. With our systems, users can expect a rapid return on investment, in some cases in less than a year. This creates entirely new opportunities for property owners to meet stricter energy requirements, while at the same time getting a great value for money.

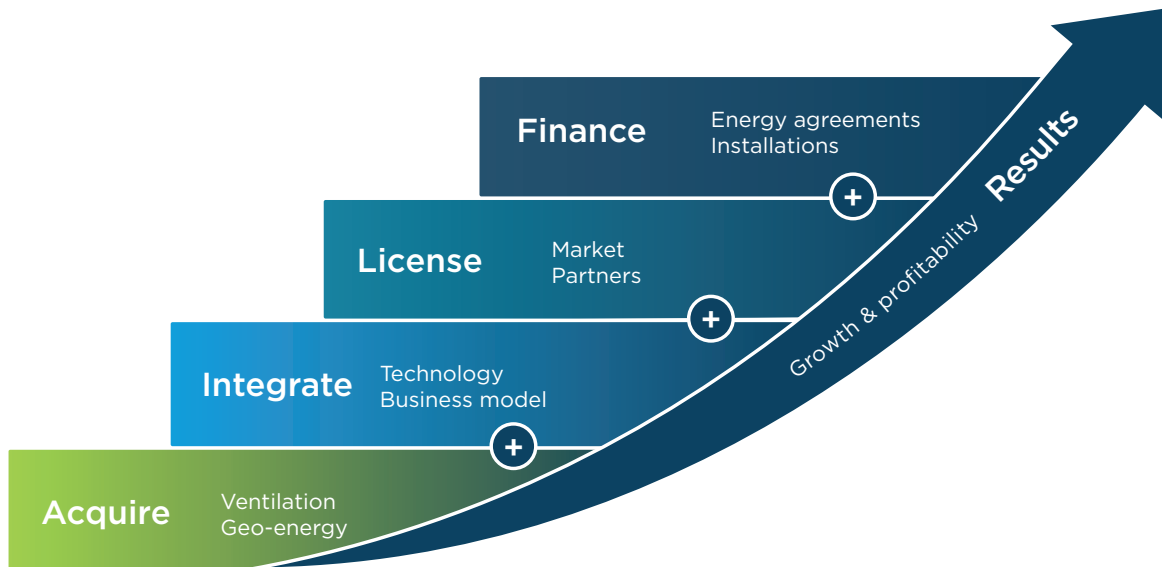
## Ecoclime guarantees results

Following several years of successful customer applications, monitoring, analyses and tests conducted by independent bodies and customers, we can guarantee indoor climate and energy efficiency – something our competitors cannot do. Through our comfort guarantee offering, we ensure that our customers get the indoor climate and the energy efficiency they pay for – an entirely unique offering!



Watch how Atrium Ljungberg increases the value of their property with the help of Ecoclime: [ecoclime.se/inomhusklimat](https://ecoclime.se/inomhusklimat)

# BUSINESS MODEL AND GROWTH STRATEGY



## Business model

Our business model is based on the development, sale and lease of system technologies for indoor climates and energy systems. Our business model includes:

- Development of systems based on our core technology (ETX) • Sales and installation of system products
- Co-operation with integration partners
- Licensing for the implementation of system products
- Financing solutions for system leasing

## Growth through acquisitions

In spring 2017, we introduced a long-term growth strategy, the initial phase of which focuses on establishing a strong presence on the Swedish and Nordic markets, before launching a programme of international expansion. Growth will occur through acquisitions of project management, installation and operations companies, with which our products and services can be vertically integrated into customer offerings. This in turn drives sales of core products, installations and operating agreements.

## Acquisition strategy

Acquiring profitable and healthy companies that have strong positions and strong customer relationships, allows us to accelerate market entry. Local presence and customer relationships are key factors because they increase opportunities for innovation and the development of customer offerings. We can also provide more comprehensive offerings that improve quality and promote peace of mind.

## Acquisition integration model

Our model for successful acquisitions includes a careful evaluation process with clear criteria and incentives for management. Having completed an acquisition, our handpicked team is tasked for a given period with integrating systems, processes and offerings. We also make sure that companies we acquire continue to do what makes them successful. We focus primarily on adding new opportunities and value propositions as part of Ecoclimate Group – an approach that has been highly successful.

## BUSINESS AREAS

Our business areas include indoor climate, circular energy (energy efficiency) and property automation. Each business area delivers specific customer benefits but can also be combined to create more comprehensive solutions. Our two core products – comfort panels and energy collectors – are primary products within system solutions for indoor climate and energy efficiency respectively, and both are based on our patented core technology Energy Thermal Exchanger (“ETX”) – a polymer heat exchanger.



### Business area: indoor climates

Our indoor climate solutions are based on our patented comfort panels that are readily integrated with existing and new ventilation systems. Panels enable thermal energy distribution and energy transformation (cooling/heating) via ventilation, room air and diffusion. This enables a faster rate of transfer, control and temperature optimisation, without drafts or noise. It allows users to alter ambient temperatures for specific purposes. Studies conducted with the IDA/ICE simulation programme, in collaboration with researchers and students at Umeå University, show that the system performs exceptionally well. These results

have been verified with RISE (SP) laboratory tests and in practice with standardised ISO 7730 tests by construction company Arcona at installations in Stockholm. Our primary focus in this segment is RCE projects in commercial properties larger than 500m<sup>2</sup> that require improvements in indoor climate, and new-build properties with commercial space that need to reduce ventilation system volume, space used in fan rooms and ceiling height.





## Business area: Circular Energy

We offer thermal energy (heat/comfort cooling) recovery, recycling, storage and distribution systems for buildings. We do this with our patented polymer heat exchange and comfort panels that:

- recycle up to 95% of thermal energy ( $\Delta T$ ) in drainage water
- recycle up to 95% of thermal energy ( $\Delta T$ ) from industrial processes – including low-temperature industrial liquid, air and cooling processes
- recycle up to 95% of waste heat from comfort cooling
- provide energy supply containing up to 80% of thermal energy from seawater
- recover and supply thermal energy from solar-, wind- and condensate

When these systems are integrated with district heating and/or geo-energy, we use the term circular energy system where our definition indicates that at least 80 per cent of a building's thermal energy is recovered and/or is renewable.



## Business area: Property Automation

We develop and offer an IoT-based automation platform to monitor, control and optimise energy use and energy distribution in properties in real-time. The platform can be integrated with components and systems from all leading manufacturers. It is also possible to integrate the platform with existing BAS (Building Automation Systems) that are used for technical monitoring and control, and BMS (Building Management Systems) used for financial follow-up and management. In line with increased demands on energy efficiency and new opportunities presented by machinery and devices that are able to communicate over the Internet (IoT), the need for modular platforms for properties and, for example, server farms is increasing. Across its business areas, Ecoclimate offers installation, operations, service, project management support, and helps with certification of installations and operations partners.

# SUSTAINABILITY TOGETHER

Sustainability involves a variety of issues: from reducing environmental impact, to working actively on environmental issues and taking on social responsibility in the wider community.



As a young cleantech company, to date we have chosen to focus our sustainability efforts on our products under the auspices of our business segments: indoor climate, circular energy solutions and property automation. Ecoclimate believes that one of the most effective ways to achieve the global climate goals is to reduce energy waste. For us, sustainability is about helping our customers to become environmental heroes.

## Our Indoor Climates sustainability pledge:

- Even temperatures and air dispersion
- Draft-free
- Individual ambient options in office landscapes
- Silent
- Continuous inflow of clean air

A survey conducted by World Green Building Council suggests that it is possible to achieve improvements in productivity of between 8 and 11 per cent with improved air quality. Just giving individuals the option of being able to change the temperature in their area of an office results in an improvement in productivity of 3 per cent, the report says. In schools, research has shown that productivity can differ by up to 30 per cent in different indoor climates.

A stable, silent indoor climate contributes to increased wellbeing that manifests itself in increased productivity and reduced sick leave.

## Our Circular Energy sustainability pledge:

- Energy recycling from wastewater, for example from apartment buildings, hotels and swimming pools offers potential energy recycling of up to 95%
- Reduce the need to buy externally supplied energy for hot water, heating

Our vision is that properties should be self-sufficient in thermal energy for cooling and heating – this would result in reduced environmental impact and increased financial sustainability for our customers.

## Our Property Automation sustainability pledge:

- Systems to measure all types of parameters in properties, for example heating, cooling, humidity, air pressure, ventilations and heat flow, space optimization, solar radiation etc.
- Optimisation of energy use, data collection and compilation, data analysis, control of comfort panels and energy flow and power requirement

To achieve the global climate goals that will safeguard our future, we need smarter, more sustainable solutions that combine development, wellbeing and productivity with substantially reduced environmental impact.

# MANAGEMENT REPORT

Figures presented in Swedish kronor (SEK).

Ecoclimate Group is a leading Swedish property technology provider that specialises in recycling, charging, storage, and distribution of recovered and renewable thermal energy. We contribute to a sustainable future by reducing the extent to which externally supplied energy needs to be supplied to buildings, while improving indoor comfort. Our unique innovative products and circular energy systems allow property owners to benefit from their own recovered and renewable energy, thereby reducing costs, increasing sustainability and driving customer satisfaction. The company's registered office is in Vilhelmina, Sweden.

## Ownership structure

The company is listed on the Spotlight stock exchange. Lennart Olofsson, (CEO), is the only shareholder who owns more than 10 per cent of the company's shares.

## Multi-year comparison, Group

SEK 000s	2018	2017	2016 (nine months)
Net sales	56 103	30 748	3 247
Profit after financial items	4 378	8 661	27
Profit as % of net sales	7,80	28,20	0,80
Total assets	157 517	95 701	30 075
Solidity (%)	71,00	72,00	92,00
Return on equity (%)	4,80	18,00	0,20
Return on total capital (%)	3,70	14,10	0,40
Quick ratio (%)	215,00	165,00	316,00

## Multi-year comparison, Parent Company

KSEK	2018	2017	2016	2015	2014
Net sales	9 765	9 145	1 954	6 008	3 138
Profit after financial items	5 263	4 621	-377	128	-476
Profit as % of net sales	53,90	50,50	neg.	2,00	neg.
Total assets	140 121	80 175	28 723	10 440	10 359
Solidity (%)	79,00	83,00	97,00	83,00	82,00
Return on equity (%)	5,90	9,80	neg.	1,40	neg.
Return on total capital (%)	5,00	8,80	neg.	1,40	neg.
Quick ratio (%)	209,00	124,00	616,00	94,00	154,00

## Significant events during the financial year

### Q1

Ecoclimate subsidiary, Flexibel Luftbehandling AB, receives an order for approximately SEK 1M from Handelsbanken to install Ecoclimate's comfort ceiling at their head office in Stockholm. Flexibel Luftbehandling also receives a million-kronor order from Skanska. Ecoclimate Group annual revenues exceed SEK 40M. Ecoclimate Group signs an agreement with Power Heat Piping Sweden AB for a project in Götaland, Sweden. A joint, partly owned sales company is established to conduct sales and marketing of systems and components for thermal energy re-use, comfort heating and energy collectors.

### Q2

Ecoclimate Group acquires fast-growing SDC Automation AB. The company recently received a multi-million order from one of the world's fastest growing cloud service providers. Ecoclimate Group achieves rolling annual turnover of SEK 70M in May. An agreement is signed with Vilhelmina Folkets Hus for the installation of Ecoclimate's circular energy system. The project includes investment totalling SEK 21M under a joint initiative between Folkets Hus, Ecoclimate Group and the County Administrative Board and is 50 per cent-financed by the EU's European Regional Development Fund (ERDF). Ecoclimate receives SEK 12.4M to deliver recovered and renewable energy. The subscription period for Ecoclimate Group's TO1 warrant options expires. The options are 94% subscribed, giving the company SEK 4.6M after costs. Private real estate company Atrium Ljungberg places an initial order amounting to SEK 2.4M for the installation of a comfort heating system. Flexibel Luftbehandling AB wins another order, this time worth SEK 10.2M from, among others, Siemens, the Royal Academy of Fine Arts and Skanska.

### Q3

Ecoclimate Group signs an LoI agreement (letter of intent) with one of the Stockholm region's most successful installation companies of energy systems. Ecoclimate Group launches a unique comfort guarantee concept that means that property owners or tenants can pay a fixed monthly rent to obtain a guaranteed level of indoor comfort.

SDC Automation AB receives a SEK 2M-order from Einar Mattsson.

### Q4

Ecoclimate Group introduces a new business model for energy efficiency in collaboration with the European Investment Bank (EIB). The business model will lead to increased energy efficiency and reduced greenhouse gas emissions in line with EU environmental targets made possible by Ecoclimate's circular energy- and indoor climate systems. SDC Automation AB signs an agreement worth SEK 2.7M with construction company Arcona for the delivery and installation of a property automation system. Ecoclimate Group increases its sales target for the full year to SEK 65M. The Board of Directors of Ecoclimate Group decides to conduct a rights issue of B-shares. The rights issue is held successfully in December and is 88.4 per cent subscribed and generates SEK 51.5M before administrative costs.

## Significant events after the end of the financial year

SDC Automation AB wins a SEK 55M project to automate server halls, which includes an initial order valued at SEK 9M.

## Looking forward

### 2019 – continued accelerated growth

Following the successful completion of the rights issue in 2018, we now have the necessary conditions in place to deliver our published growth strategy. This will involve the acquisition of at least one construction and project company in 2019. In parallel with any new acquisitions, and in collaboration with previously acquired companies, and customers, work continues on creating more advanced offerings. We are also increasing our focus on sales and marketing through investments in the organisation and substantive activities.

### Assessments and estimates in financial reports

Producing financial reports requires company management to make assessments and estimations, and to make assumptions that affect the application of accounting principles and the reported amounts of assets, debts, revenues and costs. No specific assessments or estimations

can be assumed to be included in this annual report. Actual outcomes may differ from these assessments and estimations. Assessments and estimations are reviewed on a regular basis. Changes in estimates are reported in the period when changes are made if changes only affect that period, or in the period changes are made and future periods if changes affect a current period and future periods.

### **Uncertainty of forward-looking assessments**

The Company's forward-looking assessments and assumptions form the basis for the Company's strategic judgement. All assessments and assumptions are the Board and management's best estimations of future developments. However, it should be stressed that future assessments and assumptions are purely future judgements of possible outcomes.

## Changes in equity, Group

	Share capital	Other contributed capital	Other share equity incl. net profit	Equity attributable to non-controlling interests	Total equity
Amount at beginning of year	1 754 084	26 601 779	40 517 037	0	68 872 900
Change in company structure	0	0	320 604	0	320 604
Rights issues	131 807	0	40 307 609	0	40 439 416
Total for the year			2 167 715	0	2 167 715
<b>Amount at year-end</b>	<b>1 885 891</b>	<b>26 601 779</b>	<b>83 312 965</b>	<b>0</b>	<b>111 800 635</b>

## Changes in equity, Parent Company

	Share capital	Other restricted capital	Other non-restricted equity	Total for the year	Total non-restricted equity
Amount at beginning of year	1 754 084	5 661 206	56 152 053	2 681 867	58 833 920
Corrections		-210 915	210 915		200 915
R&D fund	0	4 625 550	-4 625 550	0	-4 625 550
Rights issue	131 807	0	4 613 217	0	4 613 217
Unregistered share capital		51 502 765			0
Results as approved by AGM			2 681 867	-2 681 867	0
Rights issue costs	0	-15 642 654	-165 719	0	-165 719
Total for the year				2 605 360	2 605 360
<b>Amount at year-end</b>	<b>1 885 891</b>	<b>45 945 952</b>	<b>58 856 783</b>	<b>2 605 360</b>	<b>61 462 143</b>

## Disposition result

### Proposal for disposition of the company's profit

At the disposal of the AGM

Retained earnings	59 034 835
Share premium	4 447 498
R&D fund	-4 625 550
Profit for the year	2 605 360
	<b>61 462 143</b>

### The Board proposes

a carry-forward of	61 462 143
	<b>61 462 143</b>

More detailed information regarding the company's earnings and financial position is available in the original Swedish version of this annual report. In the event of any discrepancy between the Swedish original and English translation of this annual report, the Swedish version takes precedence.





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