



## Summary of Enersize Interim Overview for the Third Quarter of 2017 in English.

This is an unofficial summarized translation of the quarterly overview for the period July-September 2017 in English. For the full overview please see the official Swedish version. Please note that the Q3 overview released by Enersize in Swedish is not a financial report but a description of the most significant events of the past quarter. In accordance with requirements of Nasdaq First North's rules, Enersize releases financial reports in Swedish on half- and full-year basis.

### Project Overview as of 24-11-2017

- New contracts in 2017: 7pcs (total ~ 57 MW)
- Ongoing monitoring project: 2pcs
- Projects in savings phase: 2pcs (total ~ 11MW)
- Projects in the measurement / analysis phase: 8 pcs (total ~ 59 MW)
- Current installations: 2p (total ~ 6 MW)
- Ongoing customer dialogs after completion of feasibility studies: 9st
- Ongoing preliminary studies: 14

Project size for new projects in 2017 varies from under 1MW installed capacity for the smallest project to over 35MW for the largest project. The average plant size ~ 7MW installed air capacity (for projects in the measurement or savings phase).



### Market Overview

Industry 4.0 is a common terminology that describes the increased automation that can be seen in the manufacturing industry. Compressed air is a common method of energy transfer in manufacturing plants worldwide and in several industrial verticals. Approximately 90 percent of all companies use compressed air in some way, and the average energy use is 10-35 percent of a factory's electricity cost.

The Chinese manufacturing industry is the largest in the world and close to 10 percent of all energy in China is used by compressed air systems. There are directives from the Chinese Government to reduce energy consumption in the country and the new five-year plan's goal is to reduce energy consumption by 15 percent and has ambitious targets for air quality too (in the current situation only about one-fifth of China's cities reach the quality standards set by the Chinese Government).

Considering the above, Enersize has chosen to focus on the Chinese market. Another reason is the share of energy from coal power plants in China, which, despite the rapidly growing number of solar power plants, is twice as high in China as in the EU, and almost ten times higher than in Sweden. This makes the company's efforts in China having a much greater positive global impact on the environment. China is also expected to introduce a nation-wide market for CO2 emissions at the end of 2017, which is expected to contribute positively to this development.

The compressed air savings market tends to be local and lacks the ability to achieve long-term savings. Our analysis software provides insight for management of compressed air systems and provides an attractive offer that the market has responded well to. Enersize's software is

usable and can create savings across a wide range of industries, and our customers now represent areas such as glass, chemicals, vehicles, flat screens and cement.

### Events during the Third Quarter

In June 2017 Enersize executed an IPO with a fully subscribed rights issue of approximately SEK 28 million (before transaction costs) and listed on Nasdaq Stockholm First North.

In August 2017 Enersize presented, together with Cleantech Invest Oyj a short documentary regarding the company's work in China. The documentary is available on the company's YouTube channel and is a great way to learn more about Enersize's work: <https://www.youtube.com/watch?v=9UCjk8lviEc>



On September 14, 2017 trading was halted in Enersize stock and the Company later published information about ongoing negotiations for installation of a system in a polyester plant in China along with its partners in Shanghai, Venergy Ltd. The negotiations are still ongoing at the time of publication of the quarterly summary and the quotation to the client includes multiple options of different sizes as well as the possibility of increasing the contract in the future. The current plant's compressed air system consumes over 100,000 MWh annually.

Enersize aims to enter three additional customer agreements during the fourth quarter of 2017. The Company has entered seven customer contracts in a wide range of industries in 2017, three agreements were signed in March 2017, three contracts were signed in June 2017 and one in the fourth quarter. The focus during the third quarter of 2017 has been to deliver the agreed systems. The Company has identified additional potential customers where the company performs both preliminary studies as well as having ongoing dialogues with the aim to sign more customer agreements.

### Significant events after the reporting period

Enersize has entered into an agreement with Scania for the installation of Enersize system for measurement and analysis of industrial compressed air systems in Scania's Södertälje plant.

### Upcoming financial reports

With the change from the previously stated date of 2018-03 27 for the 2017 annual report, the date has been changed to: 2018-03-23

### AGM

The Annual General Meeting is scheduled to be held on April 26th 2018

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## Letter from the CEO, Sami Mykkänen

It's very nice to write my second CEO letter since our listing. I hope you appreciate this quarterly summary that we have chosen to publish in addition to the mandatory financial half-year and full-year reports.

Although Q3 has not provided as much news as Q1 and Q2, work is underway behind the scenes and I hope to show you some results during the coming two quarters.

Based on the information released in connection with the suspension of trading in September, you know that we have an ongoing negotiation for the installation of Enersize system in a factory for the production of polyester fiber. This plant has great commercial potential both thanks to the large installed compressed air capacity and that the factory's owner has a number of factories. Negotiations are proceeding according to plan and we are working with the aim to close this agreement. As soon as we know the results, we will send out a PM.

I am also particularly pleased with our contract with Scania in Södertälje. Even though we have Scania as a partner, they conducted a profound review of our technology before deciding to install a system themselves. Meanwhile, we have partnered with Scania to become even better at understanding how customers reason and what problems they themselves identify as difficult. I would like to thank the team in Södertälje for a good cooperation, now and in the future.

For the contracts we signed earlier, most have already become operational and have begun to deliver measurement data. Completed preliminary analyzes have shown substantial savings in all cases, and in many cases also revealed major shortcomings in the production of compressed air. The focus is now on continuing with these customers to bring these projects towards profit sharing and cash flow.

Current profit sharing project has developed at a slower pace than initially estimated, and therefore we have negotiated with customers on extending the projects within the project framework in order to reach the initial estimated revenue levels. Customers have been very positive about our proposals in these negotiations and it is now up to us to choose what options we want to pursue in the future, based on potential relative to our available resources and continuing to develop the existing projects in the best way.

At the moment, we are also focusing on strengthening our physical presence in China by recruiting Nordic staff with experience from China for full-location in China. This is something that we see will facilitate customer and partner contacts, as Chinese business culture is very relations

oriented.

The development department in Lund has started to gain speed and we are already seeing that the better the tools the better are the analysis results. We have already begun to run automated monitoring processes in scale at existing customers, which was another target we had for 2017. The results are exciting and we see this as a priority development, where we aim for automated monitoring to be in operation at all existing customers early next year, which both saves resources and increases quality.

We are, as a part of our growth strategy, actively looking for companies with interesting technology that is applicable to our business model. Our efforts have resulted in initial discussions with such companies that could lead to acquisitions for us to complement our technology and make our offer even more attractive to customers.

The installation and savings team has also started to gain significant speed. We see that we have done several very successful recruitments in this area, which will provide a good base for continued expansion in China and Europe. Initially, during the year, we experienced that projects progressed more slowly than we previously estimated, due to lack of processes for quality assurance and delays in customer decision-making processes. At present, we believe that we have caught up to the right pace that we want in project implementations due to improved processes and documentation, and we expect to see the cash flow effects of this in 2018. All our experiences are used to both increase our own efficiency and to create important know-how against any future competitors.

As in the past, our partners in China are still positive about the market trend, where digitization of the manufacturing industry is growing faster than the current supplier base can explore. From a political point of view, there is no slowdown regarding energy efficiency and reducing CO<sub>2</sub> emissions. Rather, China has taken on a global leadership role for this. The discussions on enhanced cooperation with our Chinese partners in the form of joint-ventures continues and we hope to announce more concrete plans later.

We get many questions directly from you, our shareholders, and always try to respond as far as the regulations allow. The most common questions I get from your shareholder are: 'when will we see the next contract? Will you achieve ten agreements this year? And how are you planning to scale up with an increased amount of new contracts in the next year?'

I will take the opportunity to clarify these questions below.

The targets we have set are working targets that we estimate as realistic to achieve and which are in line with the development of the company we wish to achieve. With that said, it is also obvious that we prioritize more time and focus on landing larger contracts and contracts that give us inputs to new customers with more potential factories.

By comparison the largest contract we have signed in 2017 have an installed capacity equivalent to 10 projects of the same average size as all other new projects during 2017. We prefer to prioritize our resources to this type of project than to spread them in trying to get several smaller projects. For us it is an obvious choice.

Considering this, it is obvious that big and long-term projects are more important to us than to focus on reaching a certain number of projects. We also prioritize to sign contracts with, for us, as favorable terms as possible, which sometimes takes a little longer but provides a better long-term return. We hope that our investors share and understand the business rationale behind this approach.

That said, of course I am aiming for 10 new contracts this year, although in the end it comes down to how fast the customer is putting their signature on the final agreements that determines when the contracts happen, which is a factor we cannot control and which is affected by many things, including customer internal decision processes with many different people involved from the customer side.

The ability to expand from one plant to several plants of the same client after a successful first project is an answer to one of the other common questions: how we think to be able to increase the sales pace in 2018? Another part of the answer is that our partners have it easier and easier to motivate both to scale up their sales efforts and to show new customers documented results with well-known customers in their home market. As you can see in our project summary, we have a large number of projects under discussion. All of this together provides the necessary basis for increasing the rate of signed contracts sufficiently during next year.

In the rapidly changing landscape we work in, the winner will be the fastest adaptor, while maintaining a strong position with unique technology. We have a unique position and a good head start that in a few years can make Enersize become a very successful software company.



**Sami Mykkänen**

**CEO, Enersize**

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**For more information about Enersize:**

Christian Merheim, Chairman of the Board

Tel: +46(0)708-182 853

E-mail: [christian.merheim@enersize.com](mailto:christian.merheim@enersize.com)