



enersize

Enersize makes strategic acquisition for European expansion and enters into an associated financing agreement

This is a translation into English of previously released regulatory news: Enersize Oyj ("Enersize") today announced, on November 5, 2018, that the Board, subject to resolution at a Extraordinary General Meeting, has decided to conduct a acquisition ("LEAQs") in order to achieve immediate market access in Europe as well as broadening their customer offering to accelerate company development. The business includes a newly developed mobile-based software for structured leakage repair and end-use optimization, as well as an established customer and distribution network comprising more than a thousand previous customers as well as leading repair and maintenance service providers for the manufacturing industry. The acquisition is planned to be carried out partly in cash and partly by directed new issue of shares.

In order to finance the company acquisition and European expansion, Enersize intends to enter into a financing solution with Formue Nord Focus A/ S ("Formue Nord") of a maximum of 30 MSEK in the form of convertible loans. The financing solution also includes an issue of a total of approximately 45,000,000 warrants to current owners as well as Formue Nord, where 4 options entitle to subscription of 1 share, which can add another 45 million SEK to full-time use. The acquisition and financing solution are subject to a resolution by the Extraordinary General Meeting.

Enersize has recently begun establishment in Europe and installed its first two systems with well-known customers. The Board is of the opinion that successful establishment in Europe can be significantly accelerated and simplified through the acquisition of an existing European business with a built-up customer base. Enersize therefore plans to acquire the operations of a European company Leakage Management Systems Nordic AB ("LMS") under the name "LEAQs" and whose software complements Enersize's system well. In conjunction with Enersize's system, savings can be achieved faster and with lower entry barriers.

The acquisition of LEAQs immediately provides a large customer base and distribution channels in Europe where there is already high demand. The Board estimates that the acquisition, together with China's already initiated measures to accelerate sales and cash flow from customers under profit-sharing agreements, will result in significantly increased revenues in the coming fiscal year. Shareholders representing 44% of the votes have supported the proposed resolutions before the planned extraordinary general meeting.

Notice of the extraordinary general meeting will be published shortly.

LEAQs Overview and Background

LMS has been working on IT support for leakage operations for many years, with a major focus on Europe. Recently, the company, under the name LEAQs (www.leaqs.com), has further developed its customer offering to a mobile-based SaaS software that manages logistics from finding out where a compressed air system leaks, determining leakage levels and then controlling and monitoring work processes and material logistics until leakage is repaired. The LEAQs software complements Enersize's current software very well as it solves logistics and organizational issues surrounding implementing savings, primarily regarding leakage and end use. As both software are based on SaaS, each can be offered to customers in the same SaaS subscription form.

LEAQs increase both implementation speed and quality, and also offers the opportunity to prioritize the changes that provide the greatest impact with least resources. This can, for example, be used in existing Chinese projects to create cash flow. The LEAQs software, thanks to its methodology, enables Enersize to make more use of third-party players to implement projects, rather than using their own staff as their main business. This gives increased scalability in project implementation. Finally, the acquisition of the acquisition candidate's software can occur with a lower entry threshold, as it is based on a mobile-based user interface and does not require installation of sensors in the factory or effects installed equipment in any way. This provides a strong offer that fits well into the existing acquisition experience for manufacturing plants, which is easy to implement, can be quickly implemented and which in the long run offers great opportunities for further sales of Enersize's advanced automated measurement and analysis systems.

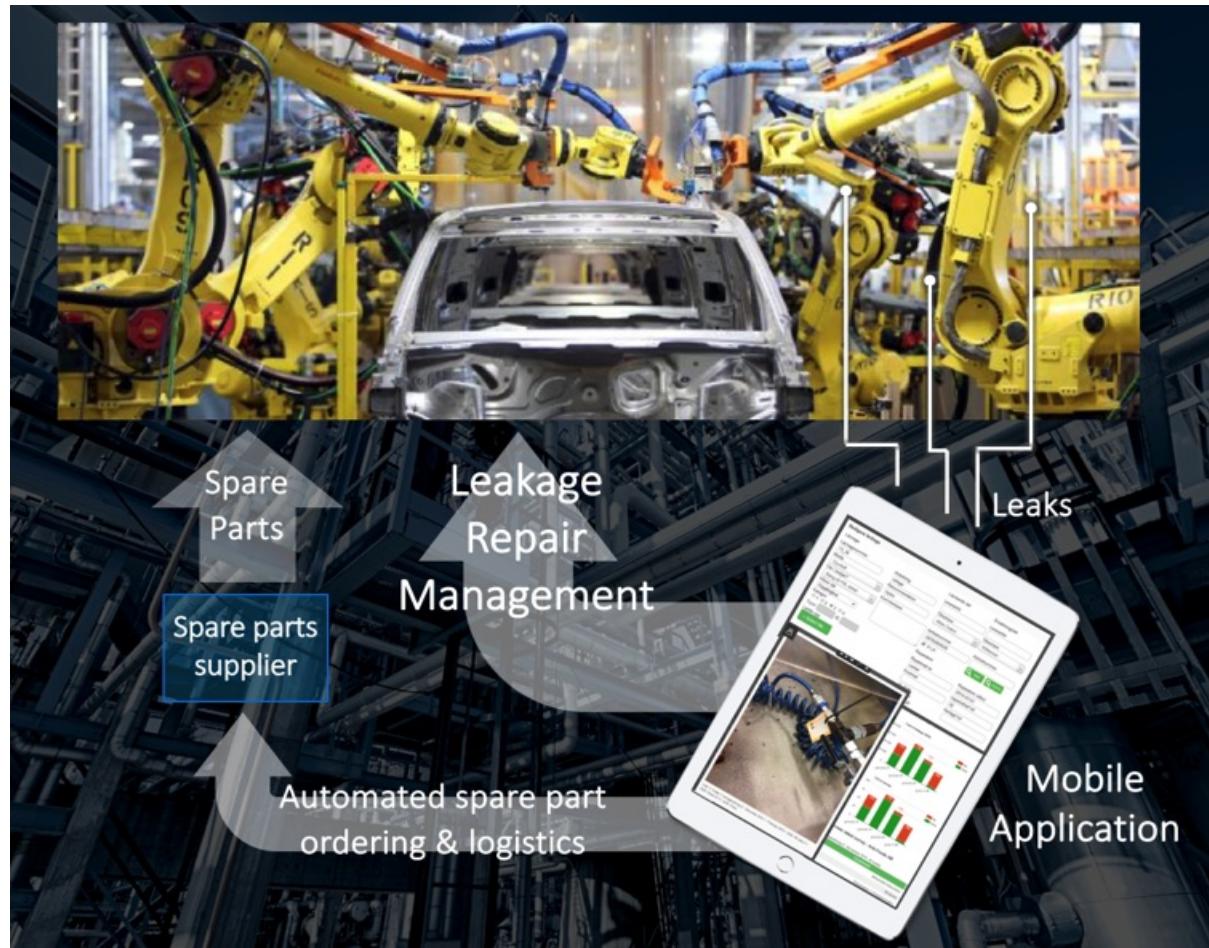
Reduced leakage levels positively contribute to the optimization opportunities offered by Enersize's software, whereby both systems complement and reinforce each other. In some cases, leakage minimization is necessary for system optimization to produce the best results, and optimization often requires leakage reductions to produce results in the form of reduced energy consumption. The possibility of using Enersize's systems to measure the effect of the savings made, enables LEAQs to be used in profit-sharing projects.

For example, the first 10% savings achieved with each system (together 20%) can be achieved significantly faster, cheaper, and with less resources than achieving 20% savings by using only one or the other SaaS. Reduction of leakage levels can be carried out without risk of production disturbances.

A clear example of this is that Enersize's software can identify that the leakage level is high and should be addressed. With LEAQs, the work of

finding and repairing leaks can be structured in a simple and efficient manner, including prioritizing repair of larger and easily accessible leaks first. When the compressed air use of the factory is decreased due to less leaks, Enersize's system is again used to tune the compressors to optimal efficiency for the new reduced air consumption. Finally, savings are verified using Enersize's system.

LEAQ's operations will contribute cash flow from existing customers and also provide Enersize distribution benefits in Europe, with a large number of well-known reference customers and approximately 6,500 former customers now offering the installation of Enersize's system. In connection with the planned acquisition CEO and founder of LMS, Daniel Winkler, will take up the role as Enersize Business Development Manager responsible for building Enersize software sales in Europe.



Acquisition Structure

LEAQs is acquired from LMS through the sale of the full LEAQs business in the form of a newly formed company ("Airdev") including rights to name, product name, all customer relationships and contracts, as well as existing SaaS software for LEAQs. The acquisition of a total of approximately MSEK 6 is paid in cash of approximately 2 MSEK and partly through payment through newly issued shares at a price of 3.50 SEK / share, corresponding to a total of approximately 1 143 000 shares. Remaining activity in LMS after the transfer of LEAQs consists only of an online education with negligible turn-over.

Payment made with shares is conditional lock-up, which means that 2,7 MSEK of the 4 MSEK in corresponding shares that is paid as non-Enersize-approved payment can be divested at least two years after the acquisition date. Shares corresponding to 1,3 MSEK that are not subject to lock-up may only be divested by the seller on condition that this occurs outside First North, in the form of block transactions brokered by an investment firm.

Enersize may, in addition to the initial sales price, pay an additional earn-out in 2021 based on LEAQ's sales in 2020 which is based on EBIT for LEAQs operations with a multiple of 3 (and possible adjustments for, inter alia, investment in operations). The additional earn-out can be issued in cash or by issuing new shares and may not exceed a maximum of approximately MSEK 15 or a maximum of 2,000,000 shares.

The acquisition is conditional pending a resolution at the Extraordinary General Meeting.

The dilution of existing shareholders will initially amount to approximately 3.9 percent through the acquisition of the company. Provided activated additional purchase price in the form of a new issue, existing shareholders can be diluted by no more than approximately 6.8 per cent. The Board estimates that the proposed acquisition will lead to significant shareholder value.

Key Figures for LMS / LEAQs

Leakage Management Systems Nordic AB has had a turnover of approximately 4.5 MSEK in for the last two years, with an operating profit of approximately 0.3 MSEK (profit margin of 4.5 to 5.1 per cent). LMS has historically had a higher turnover but has restructured its operations in recent years as the Company's new LEAQ software has evolved and enabled sales in their SaaS subscription form. Enersize's Board estimates that there is both significant growth potential and increased profit margin for LEAQs taking into account the newly developed software potential, distribution network and the synergy effects that may occur with Enersize's software. In addition, the Board estimates that the LEAQ software can enable further savings in current and future profit-sharing agreements.

Financing Solution for the Acquisition and European Expansion

Pending a resolution at the Extraordinary General Meeting, the Board has decided to implement a directed issue of interest-free convertible bonds to Formue Nord Fokus A/S ("Formue Nord") of a maximum of MSEK 30 divided into a total of nine (9) tranches of interest-free convertible bonds. The first tranche comprises a total of 10 MSEK and the remaining eight (8) tranches comprise 2.5 MSEK each. The first tranche is mandatory and must be called immediately after the extraordinary general meeting has been completed. Remaining tranches may be called on a voluntary basis by Enersize starting on June 1, 2019.

In connection with the call for the first tranche, existing shareholders will receive approximately 30,000,000 warrants free of charge. Formue Nord shall simultaneously receive approximately 15,000,000 warrants of the same series free of charge. Allotment of warrants to existing shareholders is carried out with a view to protecting them from dilution. Four (4) warrants entitle the holder to subscribe for a new share at a exercise price of SEK 4 per share. The warrants have a maturity of three years from the exhibition with a exercise period twice a year. The warrants are intended to be admitted to trading on Nasdaq Stockholm First North. The warrants can add another 45 MSEK to the company when fully utilized.

The conversion rate of interest-free convertible bonds amounts to 92% of the lowest volume-weighted price during a trading period of the last 15 trading days prior to conversion. Days when Formue Nord accounted for more than 20% of the trade is not price-based. Conversion occurs automatically 24 months after the issue of the current tranche, if conversion has not been claimed before. The interest-free convertible bond entitle to subscription of no more than 30,000,000 new shares.

The cost of the financing solution is estimated to amount to approximately 10% of the utilized funding. Enersize has entered into the financing agreement in order to carry out strategic business acquisitions and ensure long-term basic funding for the company. The financing agreement with convertible loans and issue of warrants is a conditional resolution by qualified majority at the Extraordinary General Meeting.

The number of shares issued, and dilution will be announced in conjunction with conversions.

About Formue Nord

Formue Nord is an independent asset manager based in Nytorv, Aalborg, Denmark. Formue Nord A/S manages three alternative investment funds in the form of investment companies owned by the company's co-investors and independent legal entities. Formue Nord A/S is registered as a fund manager of alternative investment funds (AIFM) with the Danish FSA. Formue Nord Focus A / S is one of its alternative investment funds (AIF). The company was founded in 2015 by Rasmus Viggers and Thøger Dam Johansen, who are themselves investors in the funds together with a wide group of wealthy private investors and funds.

Christian Merheim, Chairman of Enersize, comments:

"With this acquisition, we can make reality of our planned Europe expansion and we get a useful commercial ready-made software that fits perfectly with our current software, and both are based on the same Software as a Service (SaaS) philosophy. With this we get a solid start on our commitment to offering a complete air compressed air optimization and monitoring system, online in subscription form."

"We also get sales resources with long industry experience, well-known reference customers and a European distribution and customer network. It is with great pleasure that I welcome the team behind LEAQs to Enersize and I am convinced that together we will create a large shareholder value. I also welcome Formue Nord to Enersize, which, with its long-term financing solution, enables this strategically important acquisition and, therefore, our establishment in Europe. "

Daniel Winkler, CEO LMS / LEAQs comments:

"It feels great to be part of Enersize. We have discussed and made joint plans for over a year before we were mature to make the decision to get together to be the best in the world on compressed air optimization software. I'm absolutely convinced that we have a very attractive customer offering and I already see what features the combined offer provides, which builds the right foundation for a rapid Europe expansion. "

"We come with a software that solves a problem with extremely short payback time that no factory can solve on its own, and Enersize has software that provides insight into a production critical system that no factory manager thought it was possible to get proper control. With our established network of contacts in Europe, I see great growth potential in front of me and, in the long run, a world-leading company in our area."

Rasmus Viggers, Investment Director Fortune Nord:

"Enersize has an interesting offer that is right in time and we are pleased to be able to contribute this acquisition and long-term financing for their investment to the European market and, in the long run, to becoming a globally leading software company in a previously unexplored niche. In our opinion, this gives the business a large shareholder value due to the immediate establishment and exploitation of the European market, which fits

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About Enersize

With proprietary patent-pending automated data collection and analysis software, Enersize can provide 10-50% energy savings in industrial compressed air systems. 90% of the manufacturing industry uses compressed air that accounts for about 5% of the world's electricity consumption. Among Enersize's existing customers are one of the world's largest manufacturers of flat panel displays, well-known vehicle manufacturers and metal plants. The company is headquartered in Helsinki and has a development office in Lund. The company is listed on Nasdaq Stockholm First North under ticker: ENERS. www.enersize.com