Vivino ApS

Njalsgade 21G, 1., 2300 Copenhagen S

CVR no. 32 08 11 93

Annual report 2018

Approved at the Company's annual general meeting on 7 June 2019

Chairman:

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Building a better
working world

Contents

Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Vivino ApS for the financial year 1 January - 31 December 2018.

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 of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Copenhagen, 7 June 2019
Executive Board:

Christopher E. Tsakalakis

Theis R. R. Sondergaard

Independent auditor's report

To the shareholder of Vivino ApS

Opinion

We have audited the financial statements of Vivino ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 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 the 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 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.

Independent auditor's report

- 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 note 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.

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, 7 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen State Authorised Public Accountant mne33234	Kennet Hartmann State Authorised Public Accountant mne40036

Management's review

Company details

Name	Vivino ApS
Address, Postal code, City	Njalsgade 21G, 1., 2300 Copenhagen S
CVR no.	32 08 11 93
Established	19 March 2009
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.vivino.com
Executive Board	Christopher E. Tsakalakis Theis R. R. Søndergaard
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Business review

Vivino is the world's most popular wine community and most downloaded mobile wine app. Vivino's 35 million users contribute ratings for millions of wines from around the globe, and collectively, this database makes up the largest wine library in the world.

The Company's objective is to keep developing and drive mobile and web services, including apps, for online sale and promotion of wine.

Financial review

The income statement for 2018 shows a loss of DKK 50,716 thousand against a loss of DKK 32,984 thousand last year, and the balance sheet at 31 December 2018 shows a negative equity of DKK 120,793 thousand.

Management considers the Company's financial performance in the year in line with expectations.

As described in note 2 to the financial statements, the Company's shareholder, Vivino Inc., has issued a letter of support committing the shareholder to provide necessary financing covering the period up to and including 31 December 2019. Moreover, the Company's capital is expected to be re-established through either ordinary operations over a number of years or by additional funding from the parent company.

Events after the balance sheet date

The company have received a draft reassesment from the Danish tax authorities regarding income taxes for 2013. Please refer to note 9. No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Gross loss	-10,868,579	-9,335,895
3	Staff costs	-37,719,710	-32,917,731
	Amortisation/depreciation and impairment of property, plant and equipment	-572,569	-421,200
	Profit/loss before net financials	-49,160,858	-42,674,826
4	Financial income	93,441	5,249,585
5	Financial expenses	-7,148,238	-1,059,230
	Profit/loss before tax	-56,215,655	-38,484,471
	Tax for the year	5,500,000	5,500,000
	Profit/loss for the year	-50,715,655	-32,984,471
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-50,715,655	-32,984,471
		-50,715,655	-32,984,471

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	670,197	856,421
	Leasehold improvements	512,107	648,101
		1,182,304	1,504,522
	Investments		
	Deposits	533,677	523,339
		533,677	523,339
	Total fixed assets	1,715,981	2,027,861
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	1,906,346	450,355
		1,906,346	450,355
	Receivables		
	Trade receivables	3,507,605	930,085
	Receivables from group entities	6,291,856	3,075,266
	Income tax receivable	5,531,960	5,500,000
	Prepayments	361,733	315,045
		15,693,154	9,820,396
	Cash	4,255,300	3,910,276
	Total non-fixed assets	21,854,800	14,181,027
	TOTAL ASSETS	23,570,781	16,208,888

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	354,695	354,695
	Retained earnings	-121,147,703	-70,432,048
	Total equity	-120,793,008	-70,077,353
	Liabilities other than provisions		
8	Non-current liabilities other than provisions		
	Payables to group entities	117,351,862	68,456,840
		117,351,862	68,456,840
	Current liabilities other than provisions		
	Bank debt	337,645	692,734
	Trade payables	4,485,957	3,702,227
	Payables to group entities	16,880,792	9,278,381
	Other payables	5,143,805	4,131,145
	Deferred income	163,728	24,914
		27,011,927	17,829,401
	Total liabilities other than provisions	144,363,789	86,286,241
	TOTAL EQUITY AND LIABILITIES	23,570,781	16,208,888

1 Accounting policies
2 Going Concern
9 Contractual obligations and contingencies, etc.
10 Collateral
11 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2018	354,695	-70,432,048	-70,077,353
Transfer through appropriation of loss	0	-50,715,655	-50,715,655
Equity at 31 December 2018	354,695	-121,147,703	-120,793,008

Refer to note 2 regarding loss of share capital.

Financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Vivino ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies applied by the Company are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

The Company's revenue is generated primarily from the sale of products and services. Product revenue primarily consists of wine sales. Services and other revenue primarily consist of revenue generated from the sale of apps.

The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product is required, revenue is deferred until all the acceptance criteria have been met.

All revenue is recorded net of discounts and sales taxes collected on behalf of governmental authorities.

Revenue from product sales is recognised generally upon transfer of title to the customer, provided that no significant obligations remain and collection of the receivable is reasonably assured. Revenue from app services is recognised as the services are rendered, typically evenly over the contract term.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross loss

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs are expensed as incurred.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

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 are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Corporation tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Vivino recognizes and measures uncertain tax positions in accordance with generally accepted accounting principles, which requires that the Company recognize any tax benefits from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement.

Vivino will report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. GAAP further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter in which such change occurs.

Vivino recognizes interest and penalties, if any, related to unrecognized tax benefits in the P&L under income tax expense.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Going Concern

The Company has lost more than half of the share capital and is, therefore, subject to the provisions on capital loss under the Danish Companies Act §119.

The Company's shareholder, Vivino Inc., has issued a letter of support committing the shareholder to provide necessary financing covering the period up to and including 31 December 2019. On this basis, it is the Executive Board's opinion that it is appropriate to prepare the financial statements based on a going concern assumption. Moreover, the Company's capital is expected to be re-established either through ordinary operations over a number of years or from additional funding from the parent company.

	DKK	2018	2017
3	Staff costs		
	Wages/salaries	35,709,537	30,977,833
	Pensions	1,564,726	1,542,870
	Other social security costs	305,177	297,332
	Other staff costs	140,270	99,696
		37,719,710	32,917,731
	Average number of full-time employees	57	54
4	Financial income		
	Interest receivable, group entities	91,717	0
	Exchange gain	0	5,249,538
	Other financial income	1,724	47
		93,441	5,249,585
5	Financial expenses		
	Interest expenses, group entities	2,097,665	1,054,882
	Exchange losses	5,023,928	0
	Other financial expenses	26,645	4,348
		7,148,238	1,059,230

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	1,221,469	850,536	2,072,005
Additions in the year	215,491	34,860	250,351
Cost at 31 December 2018	1,436,960	885,396	2,322,356
Impairment losses and depreciation at 1 January 2018	365,048	202,435	567,483
Amortisation/depreciation in the year	401,715	170,854	572,569
Impairment losses and depreciation at 31 December 2018	766,763	373,289	1,140,052
Carrying amount at 31 December 2018	670,197	512,107	1,182,304

7 Share capital

The Company's share capital has remained DKK 354,695 over the past 5 years.

8 Non-current liabilities other than provisions

Long-term payables to group entities does not fall due for payment until the Company has enough liquidity to redeem the loan.

9 Contractual obligations and contingencies, etc.

Other contingent liabilities

Vivino ApS has received a draft reassesment from the Danish tax authorities, in which it is argued that the Company's Danish taxable income for 2013 should be increased by DKK 84 million, in respect of transfer pricing.

The Company does not agree with the draft reassesment and therefore does not anticipate additional taxes to fall due.

Other financial obligations

Other rent and lease liabilities:

DKK	2018	2017
Rent and lease liabilities	440,859	446,174

10 Collateral

The Company has issued a bank guarantee to the Swedish tax authorities, amounting to DKK 76 thousand. The bank guarantee covers excise tax on distance wine selling. No other assets were pledged as collateral or otherwise charged at 31 December 2018.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Vivino Inc.	San Fransisco, USA	Requisitioning of the parent company's consolidated financial statements is not possible as there is no requirement to publish the consolidated financial statements.