# Vivino ApS

Njalsgade 21G, 1. sal, 2300 København S

CVR no. 32 08 11 93

# Annual report 2016

Approved at the annual general meeting of shareholders on 31 May 2017

Chairman:

Heini Zachariassen

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 2016.

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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, 31 May 2017
Executive Board:

| | |
|---|---|
| Heini Zachariassen | Theis R. R. Søndergaard |

# Independent auditor's report

To the shareholders of Vivino ApS

## Opinion

We have audited the financial statements of Vivino ApS for the financial year 1 January - 31 December 2016, which comprise an 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 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 about 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 skepticism 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.
- 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.

## Independent auditor's report

- 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 conclusion is 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 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 our procedures, 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, 31 May 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant

Kennet Hartmann
State Authorised Public Accountant

# Management's review

## Company details

| | |
|---|---|
| Name | Vivino ApS |
| Address, Postal code, City | Njalsgade 21G, 1. sal, 2300 København 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 | Heini Zachariassen<br>Theis R. R. Søndergaard |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark |
| Bankers | Danske Bank |

# Management's review

## Management commentary

### Business review

Vivino is the world's most popular wine community and most downloaded mobile wine app. Vivino's 23 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 2016 shows a loss of DKK 28,0 million against a loss of DKK 22,2 million last year, and the balance sheet at 31 December 2016 shows a negative equity of DKK 37,1 million.

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 2017. 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

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

# Financial statements for the period 1 January - 31 December

## Income statement

| Note | DKK | 2016 | 2015 |
|---|---|---|---|
| | Gross margin | -7,793,593 | -13,016,229 |
| 3 | Staff costs | -24,108,583 | -15,471,418 |
| | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -139,242 | -7,041 |
| | Profit/loss before net financials | -32,041,418 | -28,494,688 |
| 4 | Financial income | 8,215 | 1,113,084 |
| 5 | Financial expenses | -1,467,301 | -282,771 |
| | Profit/loss before tax | -33,500,504 | -27,664,375 |
| 6 | Tax for the year | 5,500,000 | 5,466,950 |
| | Profit/loss for the year | -28,000,504 | -22,197,425 |

| | | | |
|---|---|---|---|
| | Recommended appropriation of profit/loss | | |
| | Retained earnings/accumulated loss | -28,000,504 | -22,197,425 |
| | | -28,000,504 | -22,197,425 |

# Financial statements for the period 1 January - 31 December

## Balance sheet

| Note | DKK | 2016 | 2015 |
|---|---|---|---|
| | ASSETS | | |
| | Fixed assets | | |
| | Property, plant and equipment | | |
| | Other fixtures and fittings, tools and equipment | 1,092,998 | 81,406 |
| | | 1,092,998 | 81,406 |
| | Investments | | |
| | Deposits | 421,001 | 249,520 |
| | | 421,001 | 249,520 |
| | Total fixed assets | 1,513,999 | 330,926 |
| | Non-fixed assets | | |
| | Inventories | | |
| | Finished goods and goods for resale | 774,896 | 1,392,299 |
| | | 774,896 | 1,392,299 |
| | Receivables | | |
| | Trade receivables | 1,316,257 | 1,114,789 |
| | Receivables from group entities | 1,595,851 | 23,935 |
| | Income taxes receivable | 5,500,000 | 5,368,156 |
| | Other receivables | 320,639 | 293,253 |
| | Prepayments | 296,819 | 897,316 |
| | | 9,029,566 | 7,697,449 |
| | Cash | 3,091,535 | 3,111,907 |
| | Total non-fixed assets | 12,895,997 | 12,201,655 |
| | TOTAL ASSETS | 14,409,996 | 12,532,581 |
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 7 | Share capital | 354,695 | 354,695 |
| | Retained earnings | -37,447,577 | -9,447,073 |
| | Total equity | -37,092,882 | -9,092,378 |
| | Liabilities | | |
| | Current liabilities | | |
| | Trade payables | 4,706,481 | 6,329,205 |
| | Payables to group entities | 42,473,887 | 9,935,343 |
| | Other payables | 3,734,449 | 2,733,445 |
| | Deferred income | 588,061 | 2,626,966 |
| | | 51,502,878 | 21,624,959 |
| | Total liabilities other than provisions | 51,502,878 | 21,624,959 |
| | TOTAL EQUITY AND LIABILITIES | 14,409,996 | 12,532,581 |

1 Accounting policies
2 Going concern uncertainties
8 Contractual obligations and contingencies, etc.
9 Collateral

# Financial statements for the period 1 January - 31 December

## Statement of changes in equity

| DKK | Share capital | Retained earnings | Total |
|---|---|---|---|
| Equity at 1 January 2016 | 354,695 | -9,447,073 | -9,092,378 |
| Transfer through appropriation of loss | 0 | -28,000,504 | -28,000,504 |
| Equity at 31 December 2016 | 354,695 | -37,447,577 | -37,092,882 |

The Company has lost its share capital. In accordance with the requirements in the Danish Companies Act, the Executive Board has addressed the loss of share capital in the minutes of meeting dated 31 May 2016. The Executive Board plans to restore the share capital through its ordinary activities in future years.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

1 Accounting policies

The annual report of Vivino ApS for 2016 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.

### Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

### 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'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.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin 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.

### 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.

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 |

### 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 for the period 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.

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. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected 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.

#### Prepayments

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

#### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

#### 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.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

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.

### 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.

2 Going concern uncertainties

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.

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 2017. 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.

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

| | DKK | 2016 | 2015 |
|---|---|---|---|
| 3 | Staff costs | | |
| | Wages/salaries | 23,786,526 | 15,005,072 |
| | Other social security costs | 232,399 | 143,851 |
| | Other staff costs | 89,658 | 322,495 |
| | | 24,108,583 | 15,471,418 |
| | Average number of full-time employees | 44 | 36 |
| 4 | Financial income | | |
| | Interest receivable, group entities | 0 | 1,110,923 |
| | Other financial income | 8,215 | 2,161 |
| | | 8,215 | 1,113,084 |

| | DKK | 2016 | 2015 |
|---|---|---|---|
| 5 | Financial expenses | | |
| | Other financial expenses | 1,467,301 | 282,771 |
| | | 1,467,301 | 282,771 |
| 6 | Tax for the year | | |
| | Estimated tax charge for the year | -5,500,000 | -5,368,156 |
| | Tax adjustments, prior years | 0 | -98,794 |
| | | -5,500,000 | -5,466,950 |

7 Share capital

Analysis of changes in the share capital over the past 5 years:

| DKK | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Opening balance | 354,695 | 354,695 | 354,695 | 209,478 | 166,472 |
| Capital increase | 0 | 0 | 0 | 145,217 | 43,006 |
| | 354,695 | 354,695 | 354,695 | 354,695 | 209,478 |

# Financial statements for the period 1 January - 31 December

## Notes to the financial statements

8 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company was taxed on a joint basis with Z-holding ApS, its administrative company, through to the capital increase in 2013. Together with the other jointly taxed entities, the Company is subject to limited and secondary liability for the payment of income taxes for the income year 2013 as well as withholding taxes on interest, royalties and dividends falling due for payment in the period from 1 July 2012 to termination of the joint taxation arrangement in 2013.

Other financial obligations

Other rent and lease liabilities:

| DKK | 2016 | 2015 |
|---|---|---|
| Rent and lease liabilities | 401,342 | 368,096 |

9 Collateral

No assets were pledged as collateral or otherwise charged at 31 December 2016.