

Vivino ApS

Njalsgade 21G, 1., 2300 Copenhagen S

CVR no. 32 08 11 93

Annual report 2017

Approved at the Company's annual general meeting on 31 May 2018

Chairman:



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Contents

Statement by the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes to the financial statements	11



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 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

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 2018
Executive Board:

A handwritten signature in black ink, appearing to read 'C. Tsakalakis', written over a horizontal dotted line.

Christopher E. Tsakalakis

A handwritten signature in blue ink, appearing to read 'Theis R. R. Søndergaard', written over a horizontal dotted line.

Theis R. R. Søndergaard

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 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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:

- u 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.

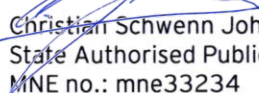
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.


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, 31 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28


Christian Schwenn Johansen
State Authorised Public Accountant
MNE no.: mne33234


Kennet Hartmann
State Authorised Public Accountant
MNE no.: 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 Osvold 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 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 2017 shows a loss of DKK 32,984,471 against a loss of DKK 28,000,504 last year, and the balance sheet at 31 December 2017 shows a negative equity of DKK 70,077,353.

Management considers the Company's financial performance in the year satisfactory.

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 2018. 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 1 January - 31 December

Income statement

Note	DKK	2017	2016
	Gross margin	-9,335,895	-7,793,593
3	Staff costs	-32,917,731	-24,108,583
	Amortisation/depreciation and impairment of property, plant and equipment	-421,200	-139,242
	Profit/loss before net financials	-42,674,826	-32,041,418
4	Financial income	5,249,585	8,215
5	Financial expenses	-1,059,230	-1,467,301
	Profit/loss before tax	-38,484,471	-33,500,504
	Tax for the year	5,500,000	5,500,000
	Profit/loss for the year	-32,984,471	-28,000,504
	Recommended appropriation of profit/loss	-32,984,471	-28,000,504
	Retained earnings/accumulated loss	-32,984,471	-28,000,504

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2017</u>	<u>2016</u>
	ASSETS		
	Fixed assets		
	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	856,421	477,728
	Leasehold improvements	<u>648,101</u>	<u>615,270</u>
		<u>1,504,522</u>	<u>1,092,998</u>
	Investments		
	Deposits	<u>523,339</u>	<u>421,001</u>
		<u>523,339</u>	<u>421,001</u>
	Total fixed assets	<u>2,027,861</u>	<u>1,513,999</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	<u>450,355</u>	<u>774,896</u>
		<u>450,355</u>	<u>774,896</u>
	Receivables		
	Trade receivables	930,085	1,316,257
	Receivables from group entities	3,075,266	1,595,851
	Income tax receivable	5,500,000	5,500,000
	Other receivables	0	51,159
	Prepayments	<u>315,045</u>	<u>566,299</u>
		<u>9,820,396</u>	<u>9,029,566</u>
	Cash	<u>3,910,276</u>	<u>3,498,135</u>
	Total non-fixed assets	<u>14,181,027</u>	<u>13,302,597</u>
	TOTAL ASSETS	<u><u>16,208,888</u></u>	<u><u>14,816,596</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	<u>2017</u>	<u>2016</u>
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	354,695	354,695
	Retained earnings	<u>-70,432,048</u>	<u>-37,447,577</u>
	Total equity	<u>-70,077,353</u>	<u>-37,092,882</u>
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Payables to group entities	<u>68,456,840</u>	<u>37,931,712</u>
		<u>68,456,840</u>	<u>37,931,712</u>
	Current liabilities other than provisions		
	Bank debt	692,734	406,600
	Trade payables	3,702,227	4,706,481
	Payables to group entities	9,278,381	4,542,175
	Other payables	4,131,145	3,734,449
	Deferred income	24,914	588,061
		<u>17,829,401</u>	<u>13,977,766</u>
	Total liabilities other than provisions	<u>86,286,241</u>	<u>51,909,478</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>16,208,888</u></u>	<u><u>14,816,596</u></u>

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

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	354,695	-37,447,577	-37,092,882
Transfer through appropriation of loss	0	-32,984,471	-32,984,471
Equity at 31 December 2017	<u>354,695</u>	<u>-70,432,048</u>	<u>-70,077,353</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Vivino ApS for 2017 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'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 margin

The items revenue, cost of sales 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.

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.

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.

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.

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 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 2018. 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	2017	2016
3 Staff costs		
Wages/salaries	30,977,833	23,285,315
Pensions	1,542,870	501,211
Other social security costs	297,332	232,399
Other staff costs	99,696	89,658
	<u>32,917,731</u>	<u>24,108,583</u>
Average number of full-time employees	<u>54</u>	<u>44</u>
4 Financial income		
Exchange gain	5,249,538	0
Other financial income	47	8,215
	<u>5,249,585</u>	<u>8,215</u>
5 Financial expenses		
Interest expenses, group entities	1,054,882	0
Exchange losses	0	1,433,679
Other financial expenses	4,348	33,622
	<u>1,059,230</u>	<u>1,467,301</u>

6 Share capital

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

DKK	2017	2016	2015	2014	2013
Opening balance	354,695	354,695	354,695	354,695	209,478
Capital increase	0	0	0	0	145,217
	<u>354,695</u>	<u>354,695</u>	<u>354,695</u>	<u>354,695</u>	<u>354,695</u>

7 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.

Financial statements 1 January - 31 December

Notes to the financial statements

8 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2017	2016
Rent and lease liabilities	446,174	401,342

9 Collateral

No assets were pledged as collateral or otherwise charged at 31 December 2017.

10 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.