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# ***Greenwave Systems ApS***

Bregnerødvej 96, DK-3460 Birkerød

## **Annual Report for 1 January - 31 December 2017**

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CVR No 32 44 09 75

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
4 /7 2018

Alice Dahl  
Chairman



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# **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Greenwave Systems ApS for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 4 July 2018

## **Executive Board**

Peter Wilmar Christensen

# Independent Auditor's Report

To the Shareholder of Greenwave Systems ApS

## Opinion

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.

We have audited the Financial Statements of Greenwave Systems ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the Financial Statements").

## 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

Without making modifications to our opinion, we draw attention to the information in note 1, in which the management explains significant uncertainty regarding the circumstances and events that could rise significant doubts about the company's ability to continue its operations. This uncertainty attributes to the company's ability to obtain the necessary funding.

The Management believes that it is possible to acquire sufficient capital, and in accordance with this, the annual report is presented as going concern.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

# Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## **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 these 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.
- 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 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 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.

Hellerup, 4 July 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
State Authorised Public Accountant  
mne30221

Claus Damhave  
State Authorised Public Accountant  
mne34166

## **Company Information**

### **The Company**

Greenwave Systems ApS  
Bregnerødvej 96  
DK-3460 Birkerød

Telephone: + 45 69 13 23 33

CVR No: 32 44 09 75

Financial period: 1 January - 31 December

Financial year: 8th financial year

Municipality of reg. office: Rudersdal

### **Executive Board**

Peter Wilmar Christensen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# **Management's Review**

## **Key activities**

The main activity is to operate with development, production and distribution of technology solutions and other related activities after management's determination.

## **Development in the year**

The income statement of the Company for 2017 shows a profit of DKK 3,413,171, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 22,297,304.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



# Income Statement

## 1 January - 31 December 2017

	Note	2017 DKK	2016 DKK
<b>Gross profit/loss</b>		<b>46.501.490</b>	<b>45.788.958</b>
Staff expenses	2	-39.095.379	-39.762.415
Depreciation, amortisation and impairment of intangible assets and property, plant and other equipment		-662.381	-706.665
<b>Resultat før finansielle poster</b>		<b>6.743.730</b>	<b>5.319.878</b>
Financial income	3	1.286.067	144.845
Financial expenses	4	-3.653.299	-1.258.672
<b>Resultat før skat</b>		<b>4.376.498</b>	<b>4.206.051</b>
Tax on profit/loss for the year	5	-963.327	-946.267
<b>Net profit/loss for the year</b>		<b>3.413.171</b>	<b>3.259.784</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		3.413.171	3.259.784
		<b>3.413.171</b>	<b>3.259.784</b>

# Balance Sheet 31 December 2017

## Assets

	Note	2017 DKK	2016 DKK
Software		216.732	284.759
<b>Intangible assets</b>	6	<b>216.732</b>	<b>284.759</b>
Other fixtures and fittings, tools and equipment		640.458	1.029.913
<b>Property, plant and equipment</b>	7	<b>640.458</b>	<b>1.029.913</b>
Deposits		364.754	364.754
<b>Fixed asset investments</b>		<b>364.754</b>	<b>364.754</b>
<b>Fixed assets</b>		<b>1.221.944</b>	<b>1.679.426</b>
Trade receivables		248.359	2.698.329
Receivables from group enterprises		110.264.089	62.375.411
Other receivables		813.539	1.371.850
Deferred tax asset		78.442	278.457
Prepayments		999.076	1.359.760
<b>Receivables</b>		<b>112.403.505</b>	<b>68.083.807</b>
<b>Cash at bank and in hand</b>		<b>1.798.094</b>	<b>1.299.136</b>
<b>Currents assets</b>		<b>114.201.599</b>	<b>69.382.943</b>
<b>Assets</b>		<b>115.423.543</b>	<b>71.062.369</b>

# Balance Sheet 31 December 2017

## Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		135.000	135.000
Retained earnings		22.162.304	18.748.258
<b>Equity</b>	<b>8</b>	<b>22.297.304</b>	<b>18.883.258</b>
Prepayments received from customers		228.260	200.489
Trade payables		1.334.413	2.887.402
Payables to group enterprises		82.970.758	43.362.124
Payables to owners and Management		1.706.295	0
Corporation tax		868.270	125.958
Other payables		6.018.243	5.603.138
<b>Short-term debt</b>		<b>93.126.239</b>	<b>52.179.111</b>
<b>Debt</b>		<b>93.126.239</b>	<b>52.179.111</b>
<b>Liabilities and equity</b>		<b>115.423.543</b>	<b>71.062.369</b>
Uncertainty on recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	9		
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# Notes to the Financial Statements

## 1 Uncertainty on recognition and measurement

As per 31st December 2017 the company's equity is positive with MDKK 23,4 and holds a liquidity ratio of 1,24. However, most of the company's balance sheet items are towards other group companies. If these balances cannot be paid in fully or partial, the company's equity could be lost.

The company is therefore dependent on the generation of sufficient liquidity in the Group.

During the third quarter of 2017, the parent company's largest customer postponed or cancelled several major projects which the parent company expected would generate a significant portion of the parent company's revenues in late 2017 and beyond. Also during 2017, the parent company was in the process of finalizing an equity offering to current and potential new investors. However, due to the large customer's cancellation of its multiple major projects, the parent company's investors decided not to proceed with participating in the parent company's equity offering. As of the issuance date of these financial statements, the parent company does not have adequate cash on hand or forecasted revenue to sustain its operations until December 31, 2018. As such, there exists significant doubt about the parent company's ability to continue as a going concern until December 31, 2018.

The parent company has been in the process of implementing and finalizing plans to significantly reduce its operating expenses and obtain financing to extend its operations. Management's expectation is that these plans will come to fruition, which will allow the parent company to operate for the foreseeable future and resume negotiations with potential investors to complete an equity offering. As such, these financial statements have not been prepared on the liquidation basis of accounting.

	<u>2017</u> DKK	<u>2016</u> DKK
<b>2 Staff expenses</b>		
Wages and salaries	37.325.792	39.123.493
Other social security expenses	655.610	638.922
Other staff expenses	1.113.977	0
	<u><b>39.095.379</b></u>	<u><b>39.762.415</b></u>
<b>Average number of employees</b>	<u><b>49</b></u>	<u><b>51</b></u>
<b>3 Financial income</b>		
Interest received from group enterprises	1.285.317	144.845
Other financial income	750	0
	<u><b>1.286.067</b></u>	<u><b>144.845</b></u>

## Notes to the Financial Statements

	<u>2017</u> DKK	<u>2016</u> DKK
<b>4 Financial expenses</b>		
Interest paid to group enterprises	1.913.617	0
Interest paid to owners and Management	80.810	0
Other financial expenses	2.296	2.720
Exchange loss	1.656.576	1.255.952
	<u><b>3.653.299</b></u>	<u><b>1.258.672</b></u>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	763.312	875.958
Deferred tax for the year	200.015	70.309
	<u><b>963.327</b></u>	<u><b>946.267</b></u>
<b>6 Intangible assets</b>		
		<u>Software</u> DKK
Cost at 1 January		353.545
Disposals for the year		-3.192
Cost at 31 December		<u>350.353</u>
Impairment losses and amortisation at 1 January		68.786
Amortisation for the year		64.835
Impairment losses and amortisation at 31 December		<u>133.621</u>
<b>Carrying amount at 31 December</b>		<u><b>216.732</b></u>

## Notes to the Financial Statements

### 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	3.373.067
Additions for the year	208.089
Disposals for the year	<u>-1.502.632</u>
Cost at 31 December	<u>2.078.524</u>
Impairment losses and depreciation at 1 January	2.343.154
Depreciation for the year	571.398
Reversal of impairment and depreciation of sold assets	<u>-1.476.486</u>
Impairment losses and depreciation at 31 December	<u>1.438.066</u>
<b>Carrying amount at 31 December</b>	<b><u>640.458</u></b>

### 8 Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January	135.000	18.749.133	18.884.133
Net profit/loss for the year	<u>0</u>	<u>3.413.171</u>	<u>3.413.171</u>
<b>Equity at 31 December</b>	<b><u>135.000</u></b>	<b><u>22.162.304</u></b>	<b><u>22.297.304</u></b>

## Notes to the Financial Statements

	<u>2017</u> DKK	<u>2016</u> DKK
<b>9 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations, period of terminability 6 months	609.742	591.982

### 10 Related parties

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate Parent Company

<u>Name</u>	<u>Place of registered office</u>
Greenwave Holdings Inc	Irvine, CA, USA

# Notes to the Financial Statements

## 11 Accounting Policies

The Annual Report of Greenwave Systems ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.



# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Income Statement

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Cost of goods sold

Cost of goods sold comprise the raw materials and consumables consumed to achieve revenue for the year.

#### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

#### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

#### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with other Danish companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Software and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences and software are amortised over the licence period; however not exceeding 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
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### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Fixed asset investments

Fixed asset investments consist of deposits.

# Notes to the Financial Statements

## 11 Accounting Policies (continued)

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

### Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.