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# ***Greenwave Systems ApS***

Bryggervangen 55, 4, DK-2100 København Ø

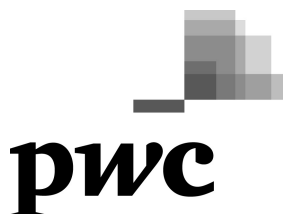
## **Annual Report for 1 January - 31 December 2018**

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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  
12/07 2019

Peter Wilmar Christensen  
Chairman of the General  
Meeting



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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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 12 July 2019

## **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 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.

We have audited the Financial Statements of Greenwave Systems ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity 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.

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

# Independent Auditor's Report

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, 12 July 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Flemming Eghoff  
statsautoriseret revisor  
mne30221

Claus Damhave  
statsautoriseret revisor  
mne34166

## **Company Information**

### **The Company**

Greenwave Systems ApS  
Bryggervangen 55, 4  
DK-2100 København Ø

Telephone: + 45 69 13 23 33

CVR No: 32 44 09 75

Financial period: 1 January - 31 December

Financial year: 9th financial year

Municipality of reg. office: København

### **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 2018 shows a loss of DKK 705,206, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 21,592,098.

## Capital resources

We draw attention to the information in note 1.

## 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 2018

	Note	2018 DKK	2017 DKK
<b>Gross profit/loss</b>		<b>27.458.870</b>	<b>46.501.490</b>
Staff expenses	2	-26.353.041	-39.095.379
Depreciation, amortisation and impairment of intangible assets and property, plant and other equipment		-442.436	-662.381
<b>Resultat før finansielle poster</b>		<b>663.393</b>	<b>6.743.730</b>
Financial income	3	3.122.116	1.286.067
Financial expenses	4	-4.412.273	-3.653.299
<b>Resultat før skat</b>		<b>-626.764</b>	<b>4.376.498</b>
Tax on profit/loss for the year	5	-78.442	-963.327
<b>Net profit/loss for the year</b>		<b>-705.206</b>	<b>3.413.171</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-705.206	3.413.171
		<b>-705.206</b>	<b>3.413.171</b>

## Balance Sheet 31 December 2018

### Assets

	Note	2018 DKK	2017 DKK
Software		149.128	216.732
<b>Intangible assets</b>	6	<b>149.128</b>	<b>216.732</b>
Other fixtures and fittings, tools and equipment		265.625	640.458
<b>Property, plant and equipment</b>	7	<b>265.625</b>	<b>640.458</b>
Deposits		364.754	364.754
<b>Fixed asset investments</b>		<b>364.754</b>	<b>364.754</b>
<b>Fixed assets</b>		<b>779.507</b>	<b>1.221.944</b>
Trade receivables		0	248.359
Receivables from group enterprises		155.533.887	110.264.089
Other receivables		747.843	813.539
Deferred tax asset		0	78.442
Prepayments		576.842	999.076
<b>Receivables</b>		<b>156.858.572</b>	<b>112.403.505</b>
<b>Cash at bank and in hand</b>		<b>325.309</b>	<b>1.798.094</b>
<b>Currents assets</b>		<b>157.183.881</b>	<b>114.201.599</b>
<b>Assets</b>		<b>157.963.388</b>	<b>115.423.543</b>

# Balance Sheet 31 December 2018

## Liabilities and equity

	<u>Note</u>	<u>2018</u> DKK	<u>2017</u> DKK
Share capital		135.000	135.000
Retained earnings		<u>21.457.098</u>	<u>22.162.304</u>
<b>Equity</b>		<b><u>21.592.098</u></b>	<b><u>22.297.304</u></b>
Prepayments received from customers		0	228.260
Trade payables		1.496.939	1.334.413
Payables to group enterprises		128.914.867	82.970.758
Payables to owners and Management		1.884.965	1.706.295
Corporation tax		662.664	868.270
Other payables		<u>3.411.855</u>	<u>6.018.243</u>
<b>Short-term debt</b>		<b><u>136.371.290</u></b>	<b><u>93.126.239</u></b>
<b>Debt</b>		<b><u>136.371.290</u></b>	<b><u>93.126.239</u></b>
<b>Liabilities and equity</b>		<b><u>157.963.388</u></b>	<b><u>115.423.543</u></b>
Uncertainty on recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

## Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	135.000	22.162.304	22.297.304
Net profit/loss for the year	0	-705.206	-705.206
<b>Equity at 31 December</b>	<b>135.000</b>	<b>21.457.098</b>	<b>21.592.098</b>

# Notes to the Financial Statements

## 1 Uncertainty on recognition and measurement

As per 31st December 2018 the company's equity is positive with MDKK 21,6 and holds a liquidity ratio of 1,15. 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 2018 the Group significantly reduced the Operating expenses to bring in line with Revenue expectation for 2019.

In May 2019 an agreement was signed between the Group in it's lenders that significantly reduced the debt of the Group via conversion to equity, and lowered the Valuation of the Group to ease the raise of fresh capital, where the first \$5m was closed in May 2019.

As of the issuance date of these financial statements, the ultimate parent company does not have adequate cash on hand or forecasted revenue to sustain its operations until December 31, 2019. As such there exists significant doubt about the company's ability to continue as a going concern until December 31, 2019.

During the first quarter of 2019 the Group initiated the last part of the restructuring plan, bringing the Group back on track to profitability for 2019 as a whole.

Based on the positive out looks for 2019 the Group is planning to raise further equity to improve the cash position.

Management's expectation is that the cash position 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.

## 2 Staff expenses

	<u>2018</u> DKK	<u>2017</u> DKK
Wages and salaries	25.935.406	37.325.792
Other social security expenses	417.635	655.610
Other staff expenses	<u>0</u>	<u>1.113.977</u>
	<b><u>26.353.041</u></b>	<b><u>39.095.379</u></b>
<b>Average number of employees</b>	<b><u>34</u></b>	<b><u>49</u></b>

## Notes to the Financial Statements

	2018 <u>DKK</u>	2017 <u>DKK</u>
<b>3 Financial income</b>		
Interest received from group enterprises	3.122.116	1.285.317
Other financial income	<u>0</u>	<u>750</u>
	<b><u>3.122.116</u></b>	<b><u>1.286.067</u></b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	3.681.104	1.913.617
Interest paid to owners and Management	188.272	80.810
Other financial expenses	7.095	2.296
Exchange loss	<u>535.802</u>	<u>1.656.576</u>
	<b><u>4.412.273</u></b>	<b><u>3.653.299</u></b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	0	763.312
Deferred tax for the year	<u>78.442</u>	<u>200.015</u>
	<b><u>78.442</u></b>	<b><u>963.327</u></b>
<b>6 Intangible assets</b>		<u>Software</u>
		<u>DKK</u>
Cost at 1 January		<u>350.353</u>
Cost at 31 December		<u>350.353</u>
Impairment losses and amortisation at 1 January		133.621
Amortisation for the year		<u>67.604</u>
Impairment losses and amortisation at 31 December		<u>201.225</u>
<b>Carrying amount at 31 December</b>		<b><u>149.128</u></b>

# Notes to the Financial Statements

## 7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	2.078.524
Cost at 31 December	2.078.524
Impairment losses and depreciation at 1 January	1.438.066
Depreciation for the year	374.833
Impairment losses and depreciation at 31 December	1.812.899
<b>Carrying amount at 31 December</b>	<b>265.625</b>

	2018 DKK	2017 DKK
<b>8 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations, period of terminability 6 months	609.742	609.742

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Greenwave Denmark Holding apS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 9 Accounting Policies

The Annual Report of Greenwave Systems ApS for 2018 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 2018 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

## 9 Accounting Policies (continued)

### Income Statement

#### 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.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of goods sold and other external expenses.

#### 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

## 9 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

## 9 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.