

Tattoodo ApS

Artillerivej 86, 2. th.
DK-2300 Copenhagen S
Central Business Registration No
34687684

Annual report 2017

The Annual General Meeting adopted the annual report on 11.06.2018

Chairman of the General Meeting

Name: Mik Thobo-Carlsen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017	7
Balance sheet at 31.12.2017	8
Statement of changes in equity for 2017	10
Notes	11
Accounting policies	15

Entity details

Entity

Tattoodo ApS
Artillerivej 86, 2. th.
DK-2300 Copenhagen S

Central Business Registration No: 34687684
Registered in: Copenhagen
Financial year: 01.01.2017 - 31.12.2017

Website: www.tattoodo.com

Board of Directors

Mik Thobo-Carlsen, Chairman
Peter Alfred Warnøe
Christian Nicholas Stadil
Johan Urnes Plenge

Executive Board

Johan Urnes Plenge

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of TattooDo ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 11.06.2018

Executive Board

Johan Urnes Plenge

Board of Directors

Mik Thobo-Carlsen
Chairman

Peter Alfred Warnøe

Christian Nicholas Stadil

Johan Urnes Plenge

Independent auditor's report

To the shareholders of Tattoodo ApS

Opinion

We have audited the financial statements of Tattoodo ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Material uncertainty related to going concern

Without qualifying our opinion, we refer to the disclosures in note 1 to the financial statements, in which Management describes the assumptions of going concern. Management has presented the financial statements on a going concern basis. We did not find any reason to take a different view on this matter.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Violation of the Danish Companies Act on loan to shareholders

Contrary to the Danish Companies Act, the Company granted a loan to a shareholder in 2016, for which Management may be held liable. The loan was including interest fully paid in 2017.

Copenhagen, 11.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Henrik Wolff Mikkelsen
State Authorised Public Accountant
Identification number (MNE) mne33747

Management commentary

Primary activities

Tattoodo is a global online community for tattoo professionals and customers. Tattoodo facilitates a digital interaction between all stakeholders in the tattoo industry and operates an independent media platform, a marketplace, and booking platform for tattoo professionals.

Development in activities and finances

In 2017 the Company realized a revenue of DKK 18,576 thousand compared to DKK 2,892 thousand in 2016. The significant uplift in revenue was driven by media sales and the introduction of subscription services as a revenue stream. Focus going forward will be on utilizing the platform investments for consolidating the subscription business. Subscriptions and the value-added services to tattoo professionals, constitute the scalable foundation for future growth.

The Company has realized a loss of DKK 23,363 thousand. Management considers the result to be in line with expectations. At the current development stage, the Company is investing significantly in the underlying technology for the booking platform and in solidifying the position as the global market leader.

The Company has restored its equity in 2017 to a total of DKK 19,784 thousand. In 2018, revenue projections will provide liquidity for the Company's going concern. Management is positive about the future.

Events after the balance sheet date

The Company has finalized a capital increase as of 5 January 2018 paid in cash. Besides the capital increase, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross loss		(11.483.351)	(9.101.264)
Staff costs	2	(5.854.205)	(6.874.768)
Depreciation, amortisation and impairment losses	3	<u>(5.995.890)</u>	<u>(1.957.509)</u>
Operating profit/loss		(23.333.446)	(17.933.541)
Income from investments in group enterprises		(66.186)	(73.344)
Other financial income	4	40.975	38.141
Other financial expenses	5	<u>(2.509.354)</u>	<u>(218.165)</u>
Profit/loss before tax		(25.868.011)	(18.186.909)
Tax on profit/loss for the year	6	<u>2.505.108</u>	<u>554.633</u>
Profit/loss for the year		<u>(23.362.903)</u>	<u>(17.632.276)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(23.362.903)</u>	<u>(17.632.276)</u>
		<u>(23.362.903)</u>	<u>(17.632.276)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Completed development projects		15.423.777	9.892.170
Intangible assets	7	15.423.777	9.892.170
Other fixtures and fittings, tools and equipment		87.863	128.863
Leasehold improvements		319.420	371.546
Property, plant and equipment	8	407.283	500.409
Investments in group enterprises		4.080.196	1.783.061
Deposits		620.562	408.313
Fixed asset investments	9	4.700.758	2.191.374
Fixed assets		20.531.818	12.583.953
Trade receivables		271.710	390.125
Receivables from group enterprises		6.630.318	0
Other receivables		1.687.540	416.504
Receivables from owners and management	10	0	28.011
Prepayments		311.081	0
Receivables		8.900.649	834.640
Cash		3.770.402	8.653.273
Current assets		12.671.051	9.487.913
Assets		33.202.869	22.071.866

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital	11	250.446	197.151
Reserve for development expenditure		11.758.288	9.543.121
Retained earnings		<u>7.775.643</u>	<u>(10.425.907)</u>
Equity		<u>19.784.377</u>	<u>(685.635)</u>
Trade payables		237.154	408.303
Other payables		<u>13.181.338</u>	<u>22.349.198</u>
Current liabilities other than provisions		<u>13.418.492</u>	<u>22.757.501</u>
Liabilities other than provisions		<u>13.418.492</u>	<u>22.757.501</u>
Equity and liabilities		<u>33.202.869</u>	<u>22.071.866</u>
Going concern	1		
Contingent liabilities	12		
Mortgages and securities	13		

Statement of changes in equity for 2017

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity beginning of year	197.151	9.543.121	(10.425.907)	(685.635)
Increase of capital	53.295	0	43.779.620	43.832.915
Transfer to reserves	0	(9.145.762)	0	(9.145.762)
Profit/loss for the year	0	11.360.929	(25.578.070)	(14.217.141)
Equity end of year	<u>250.446</u>	<u>11.758.288</u>	<u>7.775.643</u>	<u>19.784.377</u>

Notes

1. Going concern

At 31 December 2017, the Company's equity has been restored. Based on cash flow expectations for 2018, which includes a capital increase in January 2018, Management has assessed that the Company is capable of fulfilling all financial obligations as they fall due and, therefore, the annual report is submitted based on a going concern assumption.

	2017	2016
	DKK	DKK
2. Staff costs		
Wages and salaries	4.660.090	6.026.052
Pension costs	120.422	45.000
Other social security costs	73.423	42.990
Other staff costs	1.000.270	760.726
	5.854.205	6.874.768
Average number of employees	27	27

	2017	2016
	DKK	DKK
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	5.829.322	1.843.732
Depreciation of property, plant and equipment	166.568	113.777
	5.995.890	1.957.509

	2017	2016
	DKK	DKK
4. Other financial income		
Exchange rate adjustments	40.975	38.141
	40.975	38.141

	2017	2016
	DKK	DKK
5. Other financial expenses		
Exchange rate adjustments	833.476	211.881
Other financial expenses	1.675.878	6.284
	2.509.354	218.165

Notes

	2017	2016
	DKK	DKK
	<u> </u>	<u> </u>
6. Tax on profit/loss for the year		
Tax on current year taxable income	<u>(2.505.108)</u>	<u>(554.633)</u>
	<u>(2.505.108)</u>	<u>(554.633)</u>

Current tax is related to reimbursement of tax losses from development costs according to the tax credit system.

	Completed develop- ment projects DKK
	<u> </u>
7. Intangible assets	
Cost beginning of year	12.491.099
Additions	<u>11.360.929</u>
Cost end of year	<u>23.852.028</u>
Amortisation and impairment losses beginning of year	(2.598.929)
Amortisation for the year	<u>(5.829.322)</u>
Amortisation and impairment losses end of year	<u>(8.428.251)</u>
Carrying amount end of year	<u>15.423.777</u>

There are no particular conditions regarding recognition or measurement of the projects at 31 December 2017.

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
8. Property, plant and equipment		
Cost beginning of year	193.778	436.165
Additions	<u>32.942</u>	<u>40.500</u>
Cost end of year	<u>226.720</u>	<u>476.665</u>
Depreciation and impairment losses beginning of the year	(64.915)	(64.619)
Depreciation for the year	<u>(73.942)</u>	<u>(92.626)</u>
Depreciation and impairment losses end of the year	<u>(138.857)</u>	<u>(157.245)</u>
Carrying amount end of year	<u>87.863</u>	<u>319.420</u>

	Investments in group enterprises DKK	Deposits DKK
9. Fixed asset investments		
Cost beginning of year	1.856.405	408.313
Additions	<u>2.363.321</u>	<u>212.249</u>
Cost end of year	<u>4.219.726</u>	<u>620.562</u>
Revaluations beginning of year	(73.344)	0
Share of profit/loss for the year	<u>(66.186)</u>	<u>0</u>
Revaluations end of year	<u>(139.530)</u>	<u>0</u>
Carrying amount end of year	<u>4.080.196</u>	<u>620.562</u>

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Tattooado US Inc.	Delaware (USA)	Inc.	100,0

Notes

10. Receivables from owners and management

A minor receivable from owners and management was identified during bookclose and audit for 2016, after which the outstanding amount including the 8,5% in interest was repaid to the company with immediate effect.

As the repayment occurred during 2017, this information is disclosed in accordance with the Danish Financial Statement Act. The company has no outstanding receivables as of 31 December 2017.

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
11. Contributed capital			
Ordinary shares	<u>19.715.144</u>	0,01	<u>250.446</u>
	<u>19.715.144</u>		<u>250.446</u>

12. Contingent liabilities

Tattoodo ApS has entered into an interminable rental contract effective until 31 August 2019. The commitment amounts to DKK 1,415 thousand against DKK 2,265 thousand in 2016.

13. Mortgages and securities

There are no mortgages or guarantees incumbent on the Company and the Company has no assets charged.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, direct costs and other external expenses.

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Intellectual property rights etc

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 3 years.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 years
--	---------

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.