

SafeEx ApS

Gasværksvej 48, 9000 Aalborg

Company reg. no. 34 69 94 02

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 1 July 2020.

René Lundgren Larsen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the managing director has presented the annual report of SafeEx ApS for the financial year 1 January - 31 December 2019.

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

I consider the accounting policies appropriate and, in my opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

I am of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Aalborg, 1 July 2020

Managing Director

René Lundgren Larsen

Independent auditor's report

To the shareholders of SafeEx ApS

Opinion

We have audited the financial statements of SafeEx ApS for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Aalborg, 1 July 2020

Redmark

*State Authorised Public Accountants
Company reg. no. 29 44 27 89*

Johny Jensen

*State Authorised Public Accountant
mne32798*

Company information

The company

SafeEx ApS
Gasværksvej 48
9000 Aalborg

Company reg. no. 34 69 94 02

Financial year: 1 January - 31 December

Managing Director

René Lundgren Larsen

Auditors

Redmark
Statsautoriseret Revisionspartnerselskab
Hasseris Bymidte 6
9000 Aalborg

Parent company

SafeEx Holding ApS

Management commentary

The principal activities of the company

The company's principal activities are development and sale of software systems within maintenance, supervision of installations, training and support of SafeEx solutions. The company's activities are primarily performed within the Oil and Gas sector.

SafeEx software enhances the security, increases the efficiency, and provides Management with the full overview of its entities.

Uncertainties about recognition or measurement

The company has a significant debtor with long term payment conditions. The debtor has not yet been able to resell the purchased software licenses and has due to this postponed a contractual payment. The company is in a positive dialogue with the debtor and expects to receive all future payments but acknowledges that some uncertainties exist regarding the measurement of the outstanding debtors.

Development in activities and financial matters

The gross profit for the year totals thousand DKK 3,768 against thousand DKK 3,752 last year. Income from ordinary activities after tax totals thousand DKK 1,406 against thousand DKK 494 last year. Management considers the net profit or loss for the year acceptable.

Management Overview

After some challenging years with low oil prices and a general market downturn we have balanced SafeEx over the last two years, where the SafeEx product has become a trusted and global well-known brand and especially when it comes to our Ex/ATEX inspection software module.

The main part of the company's activities are still within the oil & gas sector as a natural part of our large experience and network from this segment.

To spread the risk the company strategy is still also to be known and work inside other industries and to get the SafeEx brand known as a general plant maintenance software.

In 2019 we have besides new oil & gas projects also added new project references inside petrochemical, pharmacy, power plant and other onshore industries. 2019 has been used for implementation of a new management setup, introduction of a new SaaS price model, improvement of our partner model and implementation of 2 new partners in SafeEx Holding ApS preparing SafeEx ApS for the next steps against our journey being a global digital success.

Management commentary

Expected developments

The global demand for proven digital solutions is high and we expect the interest will increase highly in the years to come, something we already are experiencing in the first two quarters of 2020.

With the SafeEx software, our large & proven client reference list and several statements confirming huge optimisation and cost reduction, the oil & gas segment still remains very attractive for SafeEx and with the present and last year's low oil prices, digital solutions for production optimisation will become even more important for clients searching for optimisation and profitability.

With our scalable and flexible solutions we will increase the market search for new industries.

The company does not yet have the necessary credit facilities in place for the future i.e. future planned development, however, it is the Management's assessment that this consent will be obtained within the next month, supported by positive indications from the bank, this year's result and a very good start of 2020.

With the new SafeEx foundation in place, the result of 2019 is therefore considered acceptable and it is with large optimism and excitement we look forward to the years to come.

Income statement 1 January - 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross profit	3.767.796	3.752
2 <i>Staff costs</i>	-1.692.272	-2.273
<i>Amortisation and impairment of intangible assets</i>	-1.058.461	-787
Operating profit	1.017.063	692
<i>Other financial income</i>	81.977	18
3 <i>Other financial costs</i>	-251.921	-231
Pre-tax net profit or loss	847.119	479
<i>Tax on net profit or loss for the year</i>	559.185	15
Net profit or loss for the year	1.406.304	494
 Proposed appropriation of net profit:		
<i>Transferred to retained earnings</i>	1.406.304	494
Total allocations and transfers	1.406.304	494

Statement of financial position at 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets		
Non-current assets		
4 <i>Development projects completed</i>	3.816.191	3.535
<i>Total intangible assets</i>	3.816.191	3.535
<i>Deposits</i>	111.697	109
<i>Total investments</i>	111.697	109
Total non-current assets	3.927.888	3.644
Current assets		
<i>Manufactured goods and goods for resale</i>	87.485	63
<i>Total inventories</i>	87.485	63
5 <i>Trade receivables</i>	2.927.619	4.551
<i>Deferred tax assets</i>	559.185	0
<i>Income tax receivables</i>	0	15
<i>Other receivables</i>	277.641	53
<i>Prepayments and accrued income</i>	4.569	12
<i>Total receivables</i>	3.769.014	4.631
<i>Cash on hand and demand deposits</i>	1.753	2
Total current assets	3.858.252	4.696
Total assets	7.786.140	8.340

Statement of financial position at 31 December

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Equity and liabilities		
Equity		
	80.000	80
6	2.976.629	2.757
	228.584	-958
	3.285.213	1.879
Liabilities other than provisions		
	1.379.417	1.494
	325.918	707
	1.128.533	647
	1.172.604	2.226
	494.455	1.387
	4.500.927	6.461
	4.500.927	6.461
	7.786.140	8.340

1 *Uncertainties concerning recognition and measurement*

7 *Charges and security*

8 *Contingencies*

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

1. **Uncertainties concerning recognition and measurement**

The company has a significant debtor with long term payment conditions. The debtor has not yet been able to resell the purchased software licenses and has due to this postponed a contractual payment. The company is in a positive dialogue with the debtor and expects to receive all future payments but acknowledges that some uncertainties exist regarding the measurement of the outstanding debtors.

	<u>2019</u>	<u>2018</u>
2. Staff costs		
Salaries and wages	1.404.947	2.007
Pension costs	241.089	201
Other costs for social security	46.236	65
	<u>1.692.272</u>	<u>2.273</u>
Average number of employees	<u>6</u>	<u>6</u>
3. Other financial costs		
Financial costs, group enterprises	10.324	10
Other financial costs	241.597	221
	<u>251.921</u>	<u>231</u>
4. Development projects completed		
Cost 1 January 2019	5.582.284	4.222
Additions during the year	1.340.091	1.360
Cost 31 December 2019	<u>6.922.375</u>	<u>5.582</u>
Amortisation and writedown 1 January 2019	-2.047.723	-1.260
Amortisation and depreciation for the year	-1.058.461	-787
Amortisation and writedown 31 December 2019	<u>-3.106.184</u>	<u>-2.047</u>
Carrying amount, 31 December 2019	<u>3.816.191</u>	<u>3.535</u>

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

	<u>31/12 2019</u>	<u>31/12 2018</u>
5. Trade receivables		
Trade receivables	2.927.619	4.551
	<u>2.927.619</u>	<u>4.551</u>

From the total receivables, the following amounts are due for payment more than 1 year after the end of the financial year

982	<u>1.973</u>
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6. Revaluation reserve

Revaluation reserve 1 January 2019	2.756.957	2.310
Revaluations for the year	<u>219.672</u>	<u>447</u>
	<u>2.976.629</u>	<u>2.757</u>

7. Charges and security

For bank loans, DKK 1,379, the company has provided security in company assets representing a nominal value of DKK 3,000. This security comprises the assets below, stating the carrying amounts:

	<u>DKK in thousands</u>
Inventories	87
Development projects completed	3.816
Trade receivables	2.928

8. Contingencies

Contingent liabilities

The company has entered into a tenancy contract with a remaining term of at least 42 months. The total liability is thousand DKK 634.

The company is subject to common warranties within the sector, service obligations and current support obligations on the delivered products/services.

Notes

Amounts concerning 2019: DKK.

Amounts concerning 2018: DKK thousand.

8. Contingencies (continued)

Contingent liabilities (continued)

The company has issued a guarantee of payment relating to the parent company's engagement with the parent company's bank of a total amount of thousand DKK 3,351 at 31. December 2019.

The company resigns in favor of Spar Nord Bank for any obligation that it has or will have towards Spar Nord Bank.

Joint taxation

With SafeEx Holding ApS, company reg. no 31174880 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The total tax payable under the joint taxation scheme totals DKK 0

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for SafeEx ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Material error

In the comparative figures for the financial year, a material error of thousand DKK 1,287 has been observed. This error relates to the classification of debtors and accruals. Comparative figures have thus been corrected accordingly. Profit and equity are not affected, as this is only a classification error in the balance sheet.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Accounting policies

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Interest and other costs concerning loans to finance the production of intangible assets and property, plant, and equipment, and relating to production periods are not recognised in the cost of non-current assets.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Accounting policies

Statement of financial position

Intangible assets

Software and development projects

Software is measured at cost with deduction of accumulated amortisation. Software is amortised on a straight-line basis over the estimated useful life which is estimated to 5 years.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Deposits

Deposits are measured at amortised cost and represent lease deposits.

Accounting policies

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, SafeEx ApS is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Accounting policies

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.