

CVATION A/S

Lastrupsgade 7, 3, 2100 København Ø

CVR no. 35 63 31 62

Annual report 2019

Approved at the Company's annual general meeting on 12 March 2020

Chairman:

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of CVATION A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 12 March 2020
Executive Board:

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Erik Sørensen Zoega
CEO

Board of Directors:

.....
Christian Peter Jean Møller
Chairman

.....
Nicolai Graff Andersen

.....
Erik Sørensen Zoega

Independent auditor's report

To the shareholders of CVATION A/S

Opinion

We have audited the financial statements of CVATION A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations 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 (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Odense, 12 March 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid
State Authorised Public Accountant
mne31450

Management's review

Company details

Name	CVATION A/S
Address, Postal code, City	Lastrupsgade 7, 3, 2100 København Ø
CVR no.	35 63 31 62
Established	6 January 2014
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Christian Peter Jean Møller, Chairman Nicolai Graff Andersen Erik Sørensen Zoega
Executive Board	Erik Sørensen Zoega, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, P.O. Box 200, 5100 Odense C, Denmark

Management's review

Business review

The objective of the Company is development, operation and sales of IT based services and related business.

Financial review

The income statement for 2019 shows a profit of DKK 8,496,569 against a profit of DKK 8,123,614 last year, and the balance sheet at 31 December 2019 shows equity of DKK 17,402,992. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2019	2018
	Gross profit	46,335,666	32,728,605
3	Staff costs	-33,704,274	-19,676,961
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-2,838,890	-2,439,178
	Profit before net financials	9,792,502	10,612,466
	Income from investments in group enterprises	-1,133,982	-737,122
4	Financial income	4,158,364	2,288,353
5	Financial expenses	-1,518,663	-1,459,824
	Profit before tax	11,298,221	10,703,873
6	Tax for the year	-2,801,652	-2,580,259
	Profit for the year	8,496,569	8,123,614
	Recommended appropriation of profit		
	Other reserves	-2,674,644	1,308,245
	Retained earnings	11,171,213	6,815,369
		8,496,569	8,123,614

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Development projects	7,072,397	9,747,041
		<u>7,072,397</u>	<u>9,747,041</u>
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	464,644	457,109
	Leasehold improvements	184,792	130,763
		<u>649,436</u>	<u>587,872</u>
9	Investments		
	Investments in group enterprises	0	0
	Deposits	1,062,070	908,542
		<u>1,062,070</u>	<u>908,542</u>
	Total fixed assets	<u>8,783,903</u>	<u>11,243,455</u>
	Non-fixed assets		
	Receivables		
	Trade receivables	17,184,617	4,486,098
	Work in progress	109,660	39,632
	Receivables from group enterprises	5,332,096	2,831,631
	Receivables from associates	25,524,128	10,922,931
	Other receivables	0	303,719
	Prepayments	228,517	603,169
		<u>48,379,018</u>	<u>19,187,180</u>
	Cash	33,249	2,793
	Total non-fixed assets	<u>48,412,267</u>	<u>19,189,973</u>
	TOTAL ASSETS	<u>57,196,170</u>	<u>30,433,428</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	500,000	500,000
	Reserve for development costs	2,986,013	5,660,657
	Retained earnings	13,916,979	2,745,766
	Total equity	17,402,992	8,906,423
	Provisions		
	Deferred tax	1,566,265	2,156,974
	Total provisions	1,566,265	2,156,974
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	1,309,104	0
		1,309,104	0
	Current liabilities other than provisions		
	Bank debt	5,626,414	2,876,869
	Trade payables	466,769	815,818
	Payables to associates	10,908,935	8,065,976
	Corporation tax payable	3,392,361	1,109,073
	Other payables	2,769,235	2,775,447
	Deferred income	13,754,095	3,726,848
		36,917,809	19,370,031
	Total liabilities other than provisions	38,226,913	19,370,031
	TOTAL EQUITY AND LIABILITIES	57,196,170	30,433,428

- 1 Accounting policies
- 2 Receivables from associates
- 10 Contractual obligations and contingencies, etc.
- 11 Collateral
- 12 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	<u>Share capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	500,000	4,352,412	-4,069,603	782,809
Transfer through appropriation of profit	<u>0</u>	<u>1,308,245</u>	<u>6,815,369</u>	<u>8,123,614</u>
Equity at 1 January 2019	500,000	5,660,657	2,745,766	8,906,423
Transfer through appropriation of profit	<u>0</u>	<u>-2,674,644</u>	<u>11,171,213</u>	<u>8,496,569</u>
Equity at 31 December 2019	<u>500,000</u>	<u>2,986,013</u>	<u>13,916,979</u>	<u>17,402,992</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of CVATION A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Development projects	5 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	10 years

Profit/loss from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries are measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash

Cash comprise cash.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Receivables from associates

Associates, of which the company has a receivable are expected by management to generate profits within a number of years to such an extent that they can pay their debt. Budget for CBX Market Inc. shows a significant increase in revenue for the next 3 years. The budget does not show any indications of impairment, but it is essential that the newly started strategy is successful to realize the significant growth. Management has not indicated further need for impairment.

DKK	2019	2018
3 Staff costs		
Wages/salaries	32,250,008	18,644,460
Pensions	1,148,893	830,679
Other social security costs	305,373	201,822
	<u>33,704,274</u>	<u>19,676,961</u>
Average number of full-time employees	<u>47</u>	<u>32</u>
4 Financial income		
Interest receivable, group entities	1,117,085	737,122
Interest receivable, associates	2,634,121	971,323
Other interest income	383	0
Exchange adjustments	406,775	579,908
	<u>4,158,364</u>	<u>2,288,353</u>
5 Financial expenses		
Interest expenses, associates	1,258,114	1,117,469
Other interest expenses	112,963	230,626
Exchange adjustments	116,357	111,394
Other financial expenses	31,229	335
	<u>1,518,663</u>	<u>1,459,824</u>
6 Tax for the year		
Estimated tax charge for the year	3,392,361	1,109,073
Deferred tax adjustments in the year	-590,709	1,471,186
	<u>2,801,652</u>	<u>2,580,259</u>
7 Intangible assets		
DKK		<u>Development projects</u>
Cost at 1 January 2019		13,373,243
Cost at 31 December 2019		<u>13,373,243</u>
Impairment losses and amortisation at 1 January 2019		3,626,202
Amortisation for the year		2,674,644
Impairment losses and amortisation at 31 December 2019		<u>6,300,846</u>
Carrying amount at 31 December 2019		<u>7,072,397</u>
Amortised over		<u>5 years</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets (continued)

Development projects

Development projects comprise of development cost for new technology and products. The recognition of the development projects has been made on the basis of the sales forecast for 2020-2022, which are to be realised. Management expects significant growth and sales within few years.

Management has not indicated further need for impairment.

8 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2019	619,103	132,579	751,682
Additions	145,891	79,919	225,810
Cost at 31 December 2019	764,994	212,498	977,492
Impairment losses and depreciation at 1 January 2019	161,994	1,816	163,810
Depreciation	138,356	25,890	164,246
Impairment losses and depreciation at 31 December 2019	300,350	27,706	328,056
Carrying amount at 31 December 2019	464,644	184,792	649,436
Depreciated over	3-5 years	10 years	

9 Investments

DKK	Investments in group enterprises	Deposits	Total
Cost at 1 January 2019	6,521	908,542	915,063
Additions	0	541,602	541,602
Disposals	0	-388,074	-388,074
Cost at 31 December 2019	6,521	1,062,070	1,068,591
Value adjustments at 1 January 2019	-6,521	0	-6,521
Value adjustments at 31 December 2019	-6,521	0	-6,521
Carrying amount at 31 December 2019	0	1,062,070	1,062,070

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
cVation Inc.	New York, USA	100.00%	-3,593,406	-1,133,982

Financial statements 1 January - 31 December

Notes to the financial statements

10 Contractual obligations and contingencies, etc.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling t.DKK 7.798 in interminable rent agreements with remaining contract terms of 5-31 months. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling t.DKK 3.129, with remaining contract terms of 3-46 months.

11 Collateral

As security for the Company's debt to banks the Company has provided security for at total amount of t. DKK 3.000.

12 Related parties

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

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