

COINIFY ApS

Herlev Hovedgade 15B

2730 Herlev

Central Business Registration No

35847995

Annual report 2016

The Annual General Meeting adopted the annual report on 01.06.2017

Chairman of the General Meeting

Name: Peter Nordgaard

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Entity details

Entity

COINIFY ApS
Herlev Hovedgade 15B
2730 Herlev

Central Business Registration No: 35847995
Registered in: Herlev, Denmark
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Steen Parsholt, Chairman
Stefan Olofsson
Lars Andersen
Hans Henrik Hoffmeyer

Executive Board

Mark Højgaard, Chief Executive Officer

Bank

Nykredit Bank
Kalvebod Brygge 1-3
1780 Copenhagen V, Denmark

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P O Box 1600
2300 Copenhagen S

Statement by Management on the annual report

The Executive Board and Board of Directors have today considered and approved the annual report of COINIFY ApS for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

Herlev, 01.06.2017

Executive Board

Mark Højgaard
Chief Executive Officer

Board of Directors

Steen Parsholt
Chairman

Stefan Olofsson

Lars Andersen

Hans Henrik Hoffmeyer

Independent auditor's report

To the shareholders of COINIFY ApS

Opinion

We have audited the financial statements of COINIFY ApS for the financial year 01.01.2016 - 31.12.2016, 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 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.

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.

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:

Independent auditor's report

- 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.

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.

Independent auditor's report

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.

Copenhagen, 01.06.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Thomas Hjortkjær Petersen

State-Authorised Public Accountant

Management commentary

Primary activities

The company's activity is development and operation of software, application and services in virtual currencies.

Development in activities and finances

Coinify ApS has through consistent developing of the product platform attracted large scale International Customers in 2016 and the Company is now a major player in the European area for digital currencies.

The results for 2016 were a result of the platform development and the massive growth in revenues at the end of the year and even an improvement in the transaction profitability. The results are thus as expected.

Outlook

The Company will continue its expansion in 2017 also outside of Europe and the profitability on transactions will again be improved.

Events after the balance sheet date

The Company has issued new shares to the largest shareholders and also included employees in a Warrant program for A-shares.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Gross loss		(762.104)	(1.624.556)
Staff costs		(6.371.169)	(5.399.804)
Depreciation, amortisation and impairment losses	1	<u>(206.434)</u>	<u>(19.064)</u>
Operating profit/loss		(7.339.707)	(7.043.424)
Other financial income		469.066	520
Other financial expenses		<u>(17.523)</u>	<u>(347.393)</u>
Profit/loss before tax		(6.888.164)	(7.390.297)
Tax on profit/loss for the year		<u>666.957</u>	<u>122.180</u>
Profit/loss for the year		<u>(6.221.207)</u>	<u>(7.268.117)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(6.221.207)</u>	<u>(7.268.117)</u>
		<u>(6.221.207)</u>	<u>(7.268.117)</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Acquired licences		43.391	48.814
Goodwill		0	195.888
Intangible assets	2	<u>43.391</u>	<u>244.702</u>
Other fixtures and fittings, tools and equipment		5.125	10.248
Property, plant and equipment	3	<u>5.125</u>	<u>10.248</u>
Other receivables		189.469	192.469
Fixed asset investments		<u>189.469</u>	<u>192.469</u>
Fixed assets		<u>237.985</u>	<u>447.419</u>
Other receivables		3.708.789	669.940
Receivables		<u>3.708.789</u>	<u>669.940</u>
Cash		<u>9.995.616</u>	<u>5.144.880</u>
Current assets		<u>13.704.405</u>	<u>5.814.820</u>
Assets		<u>13.942.390</u>	<u>6.262.239</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital	4	204.580	117.330
Share premium		22.528.174	3.279.120
Retained earnings		<u>(14.743.169)</u>	<u>(8.521.962)</u>
Equity		<u>7.989.585</u>	<u>(5.125.512)</u>
Convertible and dividend-yielding debt instruments		0	5.275.681
Payables to shareholders and management		260	0
Other payables	5	<u>5.952.545</u>	<u>6.112.070</u>
Current liabilities other than provisions		<u>5.952.805</u>	<u>11.387.751</u>
Liabilities other than provisions		<u>5.952.805</u>	<u>11.387.751</u>
Equity and liabilities		<u>13.942.390</u>	<u>6.262.239</u>
Contingent liabilities	6		

Statement of changes in equity for 2016

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	117.330	3.279.120	(8.521.962)	(5.125.512)
Increase of capital	87.250	19.249.054	0	19.336.304
Profit/loss for the year	0	0	(6.221.207)	(6.221.207)
Equity end of year	204.580	22.528.174	(14.743.169)	7.989.585

Notes

	2016	2015
	DKK	DKK
1. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	25.863	13.941
Impairment losses on intangible assets	175.448	0
Depreciation of property, plant and equipment	5.123	5.123
	206.434	19.064
	Acquired	Goodwill
	licences	DKK
	DKK	DKK
2. Intangible assets		
Cost beginning of year	54.238	204.405
Cost end of year	54.238	204.405
Amortisation and impairment losses beginning of year	(5.424)	(8.517)
Impairment losses for the year	0	(175.448)
Amortisation for the year	(5.423)	(20.440)
Amortisation and impairment losses end of year	(10.847)	(204.405)
Carrying amount end of year	43.391	0
		Other
		fixtures and
		fittings,
		tools and
		equipment
		DKK
3. Property, plant and equipment		
Cost beginning of year		20.495
Cost end of year		20.495
Depreciation and impairment losses beginning of the year		(10.247)
Depreciation for the year		(5.123)
Depreciation and impairment losses end of the year		(15.370)
Carrying amount end of year		5.125

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
4. Contributed capital			
Class A shares	100.000	1	100.000
Class B shares	79.626	1	79.626
Class C shares	<u>24.954</u>	1	<u>24.954</u>
	<u>204.580</u>		<u>204.580</u>

	<u>2016 DKK</u>	<u>2015 DKK</u>
5. Other payables		
VAT and duties	109.601	135.459
Wages and salaries, personal income taxes, social security costs, etc payable	979.424	576.852
Other costs payable	<u>4.863.520</u>	<u>5.399.759</u>
	<u>5.952.545</u>	<u>6.112.070</u>

6. Contingent liabilities

Rules and practice governing the settlement of VAT and duties on virtual currency activities are considered unclear as the VAT and duty position depends on a specific evaluation of the activities and the mix of activities. As rules and practice become clearer, the Entity's VAT and duty position will be evaluated on a regular basis, and this may lead to resumption in the VAT and/or payroll tax to be settled in the future and in the amounts already reported.

The Entity has entered into an interminable lease which expires 8 months after the balance sheet date, and the lease commitment can be calculated at DKK 213.627.

Accounting policies

Reporting class

The annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions governing reporting class C enterprises.

The accounting policies applied to 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 on recognition and measurement.

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

Income statement

Gross profit or loss

Gross loss comprises revenue, other operating income and external expenses which are recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration determined.

Revenue

Cost of sales

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Entity's staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment as well as intangible assets comprise amortisation, depreciation and impairment losses for the 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 property, plant and equipment as well as intangible assets.

Accounting policies

Other financial income

Other financial income comprise interest income, including net capital gains on foreign currency transactions.

Other financial expenses

Other financial expenses consist of interest expenses on loans obtained.

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 profit or loss for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The period of amortisation is ten years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise intellectual property rights arising from the domain acquired . The period of amortisation is ten years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other 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. Depreciation is provided on a straight-line basis from the following assessment of the assets' expected useful lives:

Other fixtures and fittings, tools and equipment	4 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Accounting policies

Cash

Cash comprises cash at bank and in hand. All foreign currencies are translated into Danish kroner at the balance sheet date

Other financial liabilities

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

Other payables primarily consist of payables to customers. Payables to customers are denominated in multiple currencies and translated into Danish kroner at the balance sheet date.