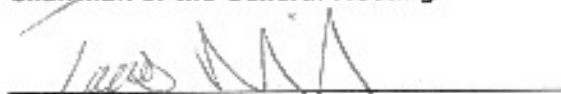


Coinify ApS
Herlev Hovedgade 15B
2730 Herlev
Business Registration No
35847995

Annual report 2018

The Annual General Meeting adopted the annual report on 28.03.2019

Chairman of the General Meeting



Name: Thomas Erland Peter Nilsson

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Entity details

Entity

Coinify ApS
Herlev Hovedgade 15B
2730 Herlev

Central Business Registration No (CVR): 35847995
Registered in: Herlev, Denmark
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Thomas Erland Peter Nilsson, Chairman
Michael Tandrup
Lars Andersen
Stefan Olofsson
Hans Henrik Hoffmeyer

Executive Board

Mark Højgaard, Chief Executive Officer

Bank

Handelsbanken
Havneholmen 29
1561 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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 28.03.2019


Executive Board



Mark Højgaard

Chief Executive Officer

Board of Directors



Thomas Erland Peter Nilsson

Chairman



Michael Tandrup



Lars Andersen



Stefan Olofsson



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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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

We draw attention to note 1 where it appears that the Company has planned initiatives to improve the Company's liquidity situation. Management has presented the financial statements on a going concern basis as it estimates that planned initiatives will provide sufficient liquidity to meet the Company's obligations as they fall due during 2019. In addition, Management expects additional liquidity/capital to be provided by existing or new investor in Q1 2019, and Management can also reduce development costs should new financing prove unsuccessful. This information has not resulted in a modification of our conclusion.

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

Independent auditor's report

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.

Statement on the management commentary

Management is responsible for the management commentary.

Independent auditor's report

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.

Copenhagen, 28.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Michael Thorø Larsen
State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

The object of the Company is to provide for the conversion between traditional currencies and new virtual currencies in a compliant and secure process for businesses and consumers. This activity is provided by Coinify's industrial-scale global virtual currency conversion platform.

Market perspectives

The market showed a compression that was structural, and cyclical, which was expected as part of a market that is still developing. All players were impacted in a similar way. Consolidation across the industry saw a rise, with strategic alliances and acquisitions accelerating through the second half of the year. Foreign investment (from the US and Asia) played a significant part in this.

Coinify's revenues were correlated to the above on aggregate however, the industry favoured those who remained agnostic to support several virtual currencies. More so, in the payments space, where revenues (and margins) grew as a direct result of market momentum. Our strategy remains focused on this approach.

The "platform as a service" model was a clear winner, especially as regulatory readiness was no longer a nice-to-have but instead a necessity to be at the forefront of the industry. B2C and B2B customers acknowledged this (and will continue to do so as we progress through 2019).

Payment volume, profitability and technology investments

Coinify continued strong growth in its strategic payments business in 2018 with a 109% volume increase compared to 2017 - this despite a general contracting market capitalization for virtual currencies. Coinify also saw a 40% improvement in the relative margin contribution compared to 2017 and proved ability to increase profitability in a contracting market. In 2018 the company did significant investments in our technology platform and strengthened organisational development building an industrial strength multi-currency company.

Coinify expanded its payment portfolio further and continued signing agreements with new Payment Services Providers, Commercial entities as well as Global Wallet Providers across the world.

Development in activities and finances

Coinify realized a loss of DKK 22 mio in 2018, which was in line with expectations due to the planned investment in technology infrastructure and organisational expansion throughout the year. Based on the realized loss the equity turned negative in 2018 and the company is dependent on further external capital to continue as a going concern. The initiatives to raise further capital and continue as a going concern is described in note 1 in the financial statement.

Management expects capital injection from shareholders in Q1 2019 and further initiatives are put in place to secure liquidity; including growth loan providers and external investors to support the Company's clear path to profitability.

Management has presented the financial statements on a going concern basis as it estimates based on the planned initiatives that the Company has sufficient liquidity to meet its obligations as they fall due during 2019 and therefore the going concern principle is assessed to be appropriate.

Management commentary

Outlook

Looking ahead, as an Industry leader in the virtual currency payment infrastructure space, we believe consolidation will continue, with a focus on scale through partnering and execution of a global strategy. Coinify will continue its expansion in 2019, and will continue to focus on profit margins and organic growth while targeting non-organic growth opportunities on an individual basis.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross loss		(1.058.939)	(3.109.074)
Staff costs	2	(19.575.334)	(10.855.618)
Depreciation, amortisation and impairment losses	3	(120.971)	(28.630)
Other operating expenses		(13.445)	0
Operating profit/loss		(20.768.689)	(13.993.322)
Other financial income		8.621	1.963
Other financial expenses		(1.319.929)	(124.370)
Profit/loss for the year		(22.079.997)	(14.115.729)
Proposed distribution of profit/loss			
Retained earnings		(22.079.997)	(14.115.729)
		(22.079.997)	(14.115.729)

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Acquired licences		32.545	37.968
Goodwill		<u>0</u>	<u>0</u>
Intangible assets	4	<u>32.545</u>	<u>37.968</u>
Other fixtures and fittings, tools and equipment		<u>393.126</u>	<u>130.920</u>
Property, plant and equipment	5	<u>393.126</u>	<u>130.920</u>
Other receivables		<u>203.594</u>	<u>193.844</u>
Fixed asset investments		<u>203.594</u>	<u>193.844</u>
Fixed assets		<u>629.265</u>	<u>362.732</u>
Manufactured goods and goods for resale		<u>839.035</u>	<u>2.332.028</u>
Inventories	6	<u>839.035</u>	<u>2.332.028</u>
Other receivables		<u>8.680.592</u>	<u>49.669.924</u>
Receivables		<u>8.680.592</u>	<u>49.669.924</u>
Cash		<u>13.507.222</u>	<u>18.344.968</u>
Current assets		<u>23.026.849</u>	<u>70.346.920</u>
Assets		<u>23.656.114</u>	<u>70.709.652</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital	7	271.390	230.864
Share premium		38.030.226	30.401.807
Retained earnings		<u>(50.938.895)</u>	<u>(28.858.898)</u>
Equity		<u>(12.637.279)</u>	<u>1.773.773</u>
Convertible and dividend-yielding debt instruments		23.745.185	22.609.375
Other payables	8	<u>12.548.208</u>	<u>46.326.504</u>
Current liabilities other than provisions		<u>36.293.393</u>	<u>68.935.879</u>
Liabilities other than provisions		<u>36.293.393</u>	<u>68.935.879</u>
Equity and liabilities		<u>23.656.114</u>	<u>70.709.652</u>
Going concern	1		
Contingent liabilities	9		

Statement of changes in equity for 2018

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	230.864	30.401.807	(28.858.898)	1.773.773
Increase of capital	40.526	7.628.419	0	7.668.945
Profit/loss for the year	0	0	(22.079.997)	(22.079.997)
Equity end of year	271.390	38.030.226	(50.938.895)	(12.637.279)

Notes

1. Going concern

The company's liabilities exceed its assets by DKK 12.6 mio as at the balance date. This indicates uncertainties which could give rise to doubts about the company's activity as a going concern. However included in those liabilities are convertible and dividend-yielding debt instruments from major stakeholders of amount DKK 23,7 mil, of which management expects those debt instruments not to be called within the next year. For the reason Management do not believe there is material uncertainty related on the going concern principle.

The realised loss in 2018 of DKK 22 mio is according to expectations. 2018 has been a year focused on securing fundamentals, including investments in strengthening Coinifys technology platform further and building a stronger organisation to scale the company further.

Management expects future injections from shareholders in Q1 2019 to cover liquidity needs for the rest of the year, and further initiatives have been initiated to secure financing; either through growth loan providers or external investors. If Management fail to secure new financing, Management can, in addition, choose to reduce or postpone development costs should additional actions be required.

Management has presented the financial statements on a going concern basis as it estimates based on the planned initiatives that the Company has sufficient liquidity to meet its obligations as they fall due during 2019 and therefore the going concern principle is assessed to be appropriate.

	<u>2018</u>	<u>2017</u>
2. Staff costs		
Average number of employees	<u>28</u>	<u>18</u>
	<u>2018</u>	<u>2017</u>
	<u>DKK</u>	<u>DKK</u>
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	5.423	5.423
Depreciation of property, plant and equipment	<u>115.548</u>	<u>23.207</u>
	<u>120.971</u>	<u>28.630</u>

Notes

	Acquired licences DKK	Goodwill DKK
4. 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	(16.270)	(204.405)
Amortisation for the year	(5.423)	0
Amortisation and impairment losses end of year	(21.693)	(204.405)
Carrying amount end of year	32.545	0
		Other fixtures and fittings, tools and equipment DKK
5. Property, plant and equipment		
Cost beginning of year		169.497
Additions		377.754
Cost end of year		547.251
Depreciation and impairment losses beginning of year		(38.577)
Depreciation for the year		(115.548)
Depreciation and impairment losses end of year		(154.125)
Carrying amount end of year		393.126

6. Inventories

The inventory comprises of cryptocurrencies which are measured at cost based on the FIFO-method less accumulated depreciation, impairment losses and costs of sale. In 2018 cryptocurrencies have been re-classified from "Other receivables" to "Manufactured goods and goods for resale" and comparative figures from 2017 have been adjusted.

Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
7. Contributed capital			
Class A shares	100.164	1	100.164
Class B shares	119.989	1	119.989
Class C shares	51.237	1	51.237
	<u>271.390</u>		<u>271.390</u>

	<u>2018 DKK</u>	<u>2017 DKK</u>
8. Other payables		
VAT and duties	1.366.690	1.007.055
Wages and salaries, personal income taxes, social security costs, etc payable	2.126.611	2.860.599
Other costs payable	9.054.907	42.458.850
	<u>12.548.208</u>	<u>46.326.504</u>

9. 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 several interminable lease which expire between 6 and 26 months after the balance sheet date, and the lease commitment can be calculated at tDKK 683.

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 with addition of certain provisions for reporting class C.

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, sales discounts and potential fluctuations of cryptocurrencies exchange rate as a part of the buy and sell process of cryptocurrencies.

Revenue

Other operating income

Other operating income comprises income of secondary activity in relation to the company's main activity.

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

Accounting policies

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.

Other operating expenses

Other operating expenses comprise expenses related to secondary activity in relation to the company's main activity.

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.

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 acquired licenses. 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

Receivables primarily consist of receivables from service providers. Receivables are denominated in multiple currencies and translated into Danish kroner at the balance sheet date.

Inventories

The inventory comprises of cryptocurrencies which are measured at cost based on the FIFO-method less accumulated depreciation, impairment losses and costs of sale.

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

Cash

Cash comprises cash in advances from credit institutions. 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.