



Coinify ApS

Herlev Hovedgade 15 B
2730 Herlev
CVR No. 35847995

Annual report 2019

The Annual General Meeting adopted the
annual report on 07.07.2020

Martin Dahl Carstensen

Chairman of the General Meeting

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Entity details

Entity

Coinify ApS

Herlev Hovedgade 15 B

2730 Herlev

CVR No.: 35847995

Registered office: Herlev

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Alfred Walter Moeckli, formand

Lars Andersen

Susanne Brønnum-Hyttel

Hans Henrik Hoffmeyer

Michael Tandrup

Executive Board

Mark Højgaard, adm. dir

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Coinify ApS for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 16.06.2020

Executive Board

Mark Højgaard
adm. dir

Board of Directors

Alfred Walter Moeckli
formand

Lars Andersen

Susanne Brønnum-Hyttel

Hans Henrik Hoffmeyer

Michael Tandrup

Independent auditor's report

To the shareholders of Coinify ApS

Opinion

We have audited the financial statements of Coinify ApS for the financial year 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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:

- 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.

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, 16.06.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Thorø Larsen

State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

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

Description of material changes in activities and finances

As planned, Coinify entered a series of partnerships and continued the expansion to more geographies. A critical part of this expansion has been the regulatory compliance across all jurisdictions and investments and partnering efforts in the preparation for the Anti Money Laundering Directive 5. As the market is maturing from a regulatory compliance standpoint, we saw more traditional companies exploring partnerships with Coinify's regulatory compliant blockchain based payment platform.

We additionally saw an increase in the demand for Coinify's newly developed services such as business to business instant invoice payments and Coinify's easy-to-deploy widget solution.

We attribute our success with more traditional financial services providers to the fact that Coinify is now regulated under the Financial Services Authorities and registered and licensed in other relevant jurisdictions.

Development in activities and finances

Coinify continued strong growth in its strategic payments business in 2019 with a 184% volume increase compared to 2018 - this despite a general contracting market capitalization for virtual currencies.

Coinify registered a 308% improvement in the margin contribution compared to 2018 and continues to prove an ability to increase profitability in a contracting market. In 2019 the company did significant planned investments in our technology platform and strengthened organisational development building Coinify as an industrial-strength multi-currency global operator.

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.

Profit/loss for the year in relation to expected developments

Coinify realized a loss of DKK 10 mio in 2019, which was in line with expectations due to the planned investment in technology infrastructure and organisational expansion throughout the year. Despite the realized loss the equity is positive at the end of 2019.

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 2020, and will continue to focus on profit margins and organic growth while targeting non-organic growth opportunities on an individual basis.

Statutory report on corporate social responsibility

Coinify is committed to sustainability and has been part of the United Nations Global Compact since 2018. Our 2019/2020 COP reporting included an increased focus on the areas of labour and environment. Coinify prouds

itself of working towards the SDG 5 and SDG 9 - on Gender Equality and Building an Innovative Infrastructure. Furthermore Coinify has agreed to start reporting on the ESG framework which is being introduced across all Danish companies who are contributing to the UN Global Compact.

Events after the balance sheet date

The company has completed a share increase from the existing shareholders to support the business until reaching profitability at the end of 2020.

The outbreak of COVID-19 is expected to have an impact on the development in Coinify as we act on a global market. But with a diversified product portfolio with both payments and trade solutions the impact could be both positive and negative, as parts of the business will experience growth and others will see a decline.

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

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		7,550,338	(1,058,939)
Staff costs	2	(20,133,385)	(19,575,334)
Depreciation, amortisation and impairment losses	3	(142,977)	(120,971)
Other operating expenses		0	(13,445)
Operating profit/loss		(12,726,024)	(20,768,689)
Other financial income		209,530	8,621
Other financial expenses		(702,475)	(1,319,929)
Profit/loss before tax		(13,218,969)	(22,079,997)
Tax on profit/loss for the year		2,787,853	0
Profit/loss for the year		(10,431,116)	(22,079,997)
Proposed distribution of profit and loss			
Retained earnings		(10,431,116)	(22,079,997)
Proposed distribution of profit and loss		(10,431,116)	(22,079,997)

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired licences		27,122	32,545
Intangible assets	4	27,122	32,545
Other fixtures and fittings, tools and equipment		375,266	393,126
Property, plant and equipment	5	375,266	393,126
Other receivables		299,313	203,594
Other financial assets		299,313	203,594
Fixed assets		701,701	629,265
Manufactured goods and goods for resale		1,243,346	839,035
Inventories	6	1,243,346	839,035
Other receivables		4,283,038	8,680,592
Receivables		4,283,038	8,680,592
Cash		20,353,957	13,507,222
Current assets		25,880,341	23,026,849
Assets		26,582,042	23,656,114

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	7	377,445	271,390
Share premium		69,800,063	38,030,226
Retained earnings		(61,370,011)	(50,938,895)
Equity		8,807,497	(12,637,279)
Convertible and dividend-yielding debt instruments		1,547,563	23,745,185
Other payables	8	16,226,982	12,548,208
Current liabilities other than provisions		17,774,545	36,293,393
Liabilities other than provisions		17,774,545	36,293,393
Equity and liabilities		26,582,042	23,656,114
Events after the balance sheet date	1		
Contingent liabilities	9		

Statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	271,390	38,030,226	(50,938,895)	(12,637,279)
Increase of capital	106,055	31,769,837	0	31,875,892
Profit/loss for the year	0	0	(10,431,116)	(10,431,116)
Equity end of year	377,445	69,800,063	(61,370,011)	8,807,497

Notes

1 Events after the balance sheet date

The company has completed a share increase from the existing shareholders to support the business until reaching profitability at the end of 2020.

The outbreak of COVID-19 is expected to have an impact on the development in Coinify as we act on a global market. But with a diversified product portfolio with both payments and trade solutions the impact could be both positive and negative, as parts of the business will experience growth and others will see a decline.

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

2 Staff costs

	2019 DKK	2018 DKK
Average number of full-time employees	29	28

3 Depreciation, amortisation and impairment losses

	2019 DKK	2018 DKK
Amortisation of intangible assets	5,423	5,423
Depreciation of property, plant and equipment	137,554	115,548
	142,977	120,971

4 Intangible assets

	Acquired licences DKK
Cost beginning of year	54,238
Cost end of year	54,238
Amortisation and impairment losses beginning of year	(21,693)
Amortisation for the year	(5,423)
Amortisation and impairment losses end of year	(27,116)
Carrying amount end of year	27,122

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	547,252
Additions	119,693
Cost end of year	666,945
Depreciation and impairment losses beginning of year	(154,125)
Depreciation for the year	(137,554)
Depreciation and impairment losses end of year	(291,679)
Carrying amount end of year	375,266

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.

7 Share capital

	Number	Par value DKK	Nominal value DKK
Class A shares	100,164	1	100,164
Class B shares	119,989	1	119,989
Class C shares	157,292	1	157,292
	377,445		377,445

8 Other payables

	2019 DKK	2018 DKK
VAT and duties	599,892	1,366,690
Wages and salaries, personal income taxes, social security costs, etc payable	1,886,997	2,126,611
Other costs payable	13,740,093	9,054,907
	16,226,982	12,548,208

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 amounts already reported.

The Entity has entered into several interminable lease which expire between 6 and 14 months after the balance sheet date, and the lease commitment can be calculated at tDKK 984.

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 at recognition and measurement.

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

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income and external expenses (cost of sales), which are recognised in the income statement when delivery is made to the buyer.

Revenue

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.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

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

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise acquired licenses. The period of amortisation is ten years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

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. Land is not depreciated.

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

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

Other fixtures and fittings, tools and equipment	4 years
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Items of 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 writedowns for bad and doubtful debts.

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 comprise 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 corresponds to nominal value.

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