CHOCOLATE CLOUD APS

NIELS JERNES VEJ 10, 9220 AALBORG ØST

ANNUAL REPORT

1. JULI 2017 - 30. JUNI 2018

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 30 November 2018

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Peter Ladefoged

CVR NO. 35 86 57 56

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COMPANY DETAILS

Company	Chocolate Cloud ApS Niels Jernes Vej 10 9220 Aalborg Øst
	CVR no.: 35 86 57 56 Established: 2 June 2014 Registered Office: Aalborg Financial Year: 1 July 2017 - 30 June 2018
Board of Directors	Peter Ladefoged, Chairman Muriel Medard Børge Lindberg Frank Hanns Paul Fitzek Per Hartmann Christensen
Board of Executives	Daniel Enrique Lucani Rötter
Auditor	BDO Statsautoriseret revisionsaktieselskab Visionsvej 51 9000 Aalborg

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Chocolate Cloud ApS for the year 1 July 2017 - 30 June 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 the Company's *financial position at 30 June 2018 and of the results of the* the Company's *operations for the financial year 1 July 2017 - 30 June 2018.*

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Aalborg, den 30. november 2018

Board of Executives

_____
Daniel Enrique Lucani Rötter

Board of Directors

_____	_____	_____
Peter Ladefoged Chairman	Muriel Medard	Børge Lindberg
_____	_____	
Frank Hanns Paul Fitzek	Per Hartmann Christensen	

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chocolate Cloud ApS

Opinion
We have audited the Financial Statements of Chocolate Cloud ApS for the financial year 1 July 2017 - 30 June 2018, which comprise income statement, balance sheet, notes and 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 assets, liabilities and financial position of the Company's at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 - 30 June 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 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 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter
We draw attention to the note "Information on uncertainty in recognition and measurement" in the financial statements, which describes the uncertainty associated with the recognized intangible fixed assets of DKK 6,623,061. Our conclusion is not modified regarding this relationship.

Management's Responsibility 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 Responsibility for 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 judgment and maintain professional skepticism 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.*

INDEPENDENT AUDITOR'S REPORT

- *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.*
- *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 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 Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review 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 Management's Review.

Aalborg, 30 November 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20222670

Søren Engelund Bærentsen
State Authorised Public Accountant
MNE no. mne33757

MANAGEMENT'S REVIEW

Principal activities
The purpose of the company is to perform development, manufacturing and sales of cloud storage technologies. Chocolate Cloud offers software solutions for managing storage in multiple storage clouds. Whether our customers are interested in employing commercial cloud storage services, deploy their own clouds, or a mix of the two, our technology allows to store files reliably while reducing the storage cost. Our team has also developed Hadoop and OpenStack solutions that exploit our core technology (network coding) for increased data reliability, while significantly reducing the storage and network costs to your system.

Our technical goal is to provide flexible, highly reliable, privacy preserving, and blazing fast cloud storage technologies. We wield the power of network coding, a novel erasure coding strategy, to enable solutions in highly dynamic settings and mobile devices, where others cannot, as well as solutions for standard data centers.

Uncertainty as to recognition and measurement
Due to the company specific activity as a development company thier is a natural uncertainty related to the measurement of the company's development. The carrying amount of the development project is based on the management's positive expectations to the future.

Development in activities and financial position
Chocolate cloud's activities on the development side during 2017-2018 have focused on (i) development of core mechanisms to provide secure processing prior to encryption and encoding/decoding of the data by using Intel's brand new SGX technology as well as finalising the whitelisting process with Intel, thus becoming the first Scandinavian company whitelisted for use of Intel SGX in production; and (ii) development of the SkyFlok product, which provides secure multi-cloud storage and secure sharing to business users. The basic Tier of SkyFlok focusing on individual teams hit the market in Q1 2018 and had over 100 sign-ups by June 2018 (500 signups by November 2018). Our development process has continued with a focus on the premium tiers of the product, which incorporate zero-knowledge encryption and Intel SGX and are expected to reach the market in Q1 2019 and Q1 2020, respectively. Our team has also received market demand and is developing an Enterprise version of the product to provide large businesses with the ability to generate multiple teams on demand and with full control over features, usage, and expenses.

Chocolate Cloud ApS has also submitted bids in H2020, Markedsmodningsfonden, and Innovationsfonden projects for obtaining further capital to continue and strengthen its development efforts beyond the second year of operation and properly aligned with our roadmap. Chocolate Cloud received support from Markedsmodningsfonden for a project starting in Dec 15, 2017 and ending December 31, 2019 for supporting its testing and development of the SkyFlok product line. Chocolate Cloud also received support from Innovationsfonden for a project to develop a multi-cloud product geared towards managing Internet of Things (IoT) data with security and privacy by design.

Customer contracts and sales are expected in the middle of our fourth year of operation for SkyFlok given the large development efforts carried out during the first, second year, and third year. Some revenue has been generated via contracts to partners and early sales of SkyFlok's basic tier.

Significant events after the end of the financial year
There have been no events after the financial year that have a significant impact on the company's financial position.

INCOME STATEMENT 1 JULY - 30 JUNE

	Note	2017/18 DKK	2016/17 DKK
GROSS LOSS		**-79.302**	**-78.324**
Staff costs	1	-337.227	-181.112
Depreciation, amortisation and impairment		-216.272	-25.428
OPERATING LOSS		**-632.801**	**-284.864**
Other financial income		5.128	0
Other financial expenses		-76.497	-1.720
PROFIT BEFORE TAX		**-704.170**	**-286.584**
Tax on profit/loss for the year	2	162.802	62.903
PROFIT FOR THE YEAR		**-541.368**	**-223.681**

PROPOSED DISTRIBUTION OF PROFIT

Accumulated profit	-541.368	-223.681
TOTAL	**-541.368**	**-223.681**

BALANCE SHEET AT 30 JUNE

ASSETS	Note	2018 DKK	2017 DKK
Development projects completed		3.652.973	0
Development projects in progress and prepayments		2.970.088	3.845.077
Intangible fixed assets	3	**6.623.061**	**3.845.077**
Other plants, machinery, tools and equipment		25.782	23.398
Tangible fixed assets	4	**25.782**	**23.398**
Rent deposit and other receivables		48.762	45.791
Fixed asset investments	5	**48.762**	**45.791**
FIXED ASSETS		**6.697.605**	**3.914.266**
Trade receivables		15.090	178.822
Other receivables		170.346	82.671
Receivables corporation tax	6	1.051.705	764.834
Receivables		**1.237.141**	**1.026.327**
Cash and cash equivalents		**1.678.141**	**352.508**
CURRENT ASSETS		**2.915.282**	**1.378.835**
ASSETS		**9.612.887**	**5.293.101**
EQUITY AND LIABILITIES			
Share capital		110.939	106.939
Transfer to reserve for development costs		3.514.944	1.261.343
Retained profit		-4.780.494	-1.985.525
EQUITY	7	**-1.154.611**	**-617.243**
Provision for deferred tax		1.281.000	812.000
PROVISION FOR LIABILITIES		**1.281.000**	**812.000**
Convertible and interest-bearing debt instruments		8.379.439	4.285.579
Accruals and deferred income		500.000	0
Long-term liabilities	8	**8.879.439**	**4.285.579**
Trade payables		183.985	65.535
Other liabilities		423.074	365.912
Accruals and deferred income		0	381.318
Current liabilities		**607.059**	**812.765**
LIABILITIES		**9.486.498**	**5.098.344**
EQUITY AND LIABILITIES		**9.612.887**	**5.293.101**
Contingencies etc.	9		
Information on uncertainty with respect to recognition and measurement	10		

NOTES

	2017/18 DKK	2016/17 DKK	Note
Staff costs			1
Average number of employees 4 (2016/17: 3)			
Wages and salaries	248.288	126.787	
Pensions	8.584	7.006	
Social security costs	9.479	10.847	
Other staff costs	70.876	36.472	
	337.227	**181.112**	

During the financial year, salary and staff costs were transferred to DKK 1,221,727 for development costs (2016/17: 808,273).

Tax on profit/loss for the year			2
Calculated tax on taxable income of the year	-631.802	-419.903	
Adjustment of deferred tax	469.000	357.000	
	-162.802	**-62.903**	

Intangible fixed assets 3

	Development projects completed	Development projects in progress and prepayments
Cost at 1 July 2017	0	3.845.077
Transfer	3.845.077	-3.845.077
Additions	0	2.970.088
Cost at 30 June 2018	**3.845.077**	**2.970.088**
Depreciation for the year	192.104	0
Depreciation at 30 June 2018	**192.104**	**0**
Carrying amount at 30 June 2018	**3.652.973**	**2.970.088**
Interest expenses recognised as part of cost of assets	425.018	493.920

NOTES

Note

The development project constitutes the development of the products SkyFlok as well as backends for OpenStack Swift, Ceph, and Hadoop.

The development project is focused heavily on the development of our SkyFlok service. Our first version of SkyFlok in its Basic Tier was iintroduced on the market in Q1 2018, as planned. We expect to introduce the two premium Tiers in Q1 2019 and Q1 2020, respectively, with few modifications from our original plan. We are also developing an enterprise version of the product that builds upon the concept of teams in our Basic and Premium Tiers in order to target companies with hundreds and even thousands of employees with a global presence. Market studies show that there is a high demand for this new type of product given the demand for Multi-Cloud Storage, Secure File Sharing, and need for GDPR protection, and that there exists very few competitors on the market that can deliver a seamless, true multi-cloud storage system with privacy and none that can deliver geographical control. This development process is ongoing and has also responded to market demands and trends that have focused it on a higher degree on secure two-way and one way sharing of files rather than a pure secure multi-cloud storage.

Tangible fixed assets **4**

	Other plants, machinery, tools and equipment
Cost at 1 July 2017	68.134
Additions	26.552
Cost at 30 June 2018	**94.686**
Depreciation and write-down at 1 July 2017	44.736
Depreciation for the year	24.168
Depreciation and write-down at 30 June 2018	**68.904**
Carrying amount at 30 June 2018	**25.782**

Fixed asset investments **5**

	Rent deposit and other receivables
Cost at 1 July 2017	45.791
Additions	2.971
Cost at 30 June 2018	**48.762**
Carrying amount at 30 June 2018	**48.762**

Receivables corporation tax **6**

Of this amount, DKK 631,802 will be due for payment in November 2019.

NOTES

Note

Equity **7**

	Share capital	Transfer to reserve for development-costs	Retained profit	Total
Equity at 1 July 2017	106.939	1.261.343	-1.985.525	-617.243
Capital increase	4.000			4.000
Proposed distribution of profit			-541.368	-541.368
Transfer to reserve for development costs		2.253.601	-2.253.601	
Equity at 30 June 2018	**110.939**	**3.514.944**	**-4.780.494**	**-1.154.611**

Long-term liabilities **8**

	1/7 2017 total liabilities	30/6 2018 total liabilities	Repayment next year	Debt outstanding after 5 years
Convertible and interest-bearing debt instruments	4.285.579	8.379.439	0	2.418.533
Accruals and deferred income	0	500.000	0	350.000
	4.285.579	**8.879.439**	**0**	**2.768.533**

Contingencies etc. **9**

Chocolate Cloud had entered into a lease for which the notice of termination is 3 months. equivalent to t. DKK 24.

For collateral for debt instruments, a company loan has been granted for tkr. 1,500.

It has been agreed to the effect that debt instruments with a principal sum of t.DKK 3,218 are to be settled at a price of 200 provided that thet are repaid after 31. december 2019. The debt instruments are to be repaid by 30 June 2020 at the latest.

Information on uncertainty with respect to recognition and measurement **10**

Due to the company specific activity as a development company thier is a natural uncertainty related to the measurement of the company's development. The carrying amount of the development project is based on the management's positive expectations to the future.

ACCOUNTING POLICIES

The annual report of Chocolate Cloud ApS for 2017/18 has been prepared in accordance with the provisions applying to reporting class B under the Danish Financial Statements Act with opt-in from higher reporting classes.
The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue
Net revenue from sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other external expenses
Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses in general
Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year
The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

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

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is normally 10 years.

An amount corresponding to the recognised development costs is tied up on a special reserve under equity, called "Reserve for development costs". The reserve is reduced by depreciation and reduction of deferred tax.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

ACCOUNTING POLICIES

Tangible fixed assets
Other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plants, fixtures and equipment.....	2 years	0 %

Profit or loss on disposal of tangible fixed assets is stated at the difference between selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognised in the income statement.

Fixed asset investments
Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets
The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, write-down is provided to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables
Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by write-down to meet expected losses.

Cash and cash equivalents
Cash and cah equivalents includes cash and cash equivalents.

ACCOUNTING POLICIES

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities
Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Accruals, liabilities
Accruals recognised as liabilities include payments received regarding income in subsequent years.