CHOCOLATE CLOUD APS

NIELS JERNES VEJ 10, 9220 AALBORG ØST

ANNUAL REPORT

1. JULI 2016 - 30. JUNI 2017

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 7 December 2017

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Julie Nielsen

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 2016 - 30 June 2017
Board of Directors	Peter Ladefoged 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 2016 - 30 June 2017.

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 2017 and of the results of the* the Company's *operations for the financial year 1 July 2016 - 30 June 2017.*

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 7. december 2017

Board of Executives

_____
Daniel Enrique Lucani Rötter

Board of Directors

_____	_____	_____
Peter Ladefoged	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 2016 - 30 June 2017, 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 at 30 June 2017 and of the results of the Company operations for the financial year 1 July 2016 - 30 June 2017 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
We draw attention to the note "Information on uncertainty with respect to recognition and measurement" in the Financial Statements, which describes the uncertainty related to the recognised intangible fixed assets of DKK ('000) 3,845. Our opinion is not modified in relation to this matter.

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 Responsibilities 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, 7 December 2017

BDO Statsautoriseret revisionsaktieselskab
CVR-nr. 20222670

Søren Engelund Bærentsen
State Authorised Public Accountant

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 2016-2017 have focused on (i) development and integration of our core software engines for distributed storage, repair, and migration into products from customers and partners (e.g., O&O Software, Cloud&Heat, WesternDigital) particularly, providing the core technology behind the CloudCuber/Box (https://www.cloudcuber.com/), which has sold already a first box; (ii) development and integration of those core software libraries to be offered as backends to large scale systems, e.g., OpenStack Swift, in order to incorporate our technology in large scale markets; (iii) 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 starting the whitelisting process with Intel; and (iv) start of a new development product to hit the market by end of 2017 or Q1 2018 called SkyFlok, which provides secure multi-cloud aggregation to business users.

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MANAGEMENT'S REVIEW

Development in activities and financial position (continued)
Chocolate Cloud ApS has also submitted bids in H2020 projects for obtaining further capital to continue and strengthen its development efforts beyond the second year of operation and properly aligned with our roadmap. Unfortunately, we were not granted these projects. Chocolate Cloud developed consulting projects for Ericsson resulting in a paid demonstration at the 5G Summit in Dresden. All in all, we have exceeded the expectations set out for the second year of operation. R&D costs have comprised the majority (100% of each team member, except the CEO and the marketing assistant) of our third year expenses from our personnel.

Chocolate Cloud ApS has had two (and up to three) software developers at full time, two software development consultants, and three part-time student helper developers that have helped us developed our vision and key products during the second year of operations. 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.

Significant events after the end of the financial year
After the end of the financial year, Chocolate Cloud ApS has started a change in strategy from sales of components to cloud storage providers to a fully controlled product (SkyFlok) for businesses that need to manage critical/private data and have GDPR compliance by May 2018. This has been a large event driving the team from several R&D activities for various partners/customers to a focused activity and a commercial product. By end of the year, we started the hiring process for a Sales VP that would help us formalize and push the product into the market.

Future expectations
Research and Development efforts for 2017-2018 will continue to be a key focus, particularly, to deliver

(i) Incorporation of SGX secure processing capabilities into our products for high-end customers and Premium Tier of SkyFlok,
(ii) Development of Key-Value store support and API that is naturally incorporated into an OpenStack framework and delivering secure, distributed data processing, and
(iii) Finalize the Basic Tier of SkyFlok in order to sell in the market, while developing the Pro and Gold Tiers of the product.

Part of the development is financed by the SecureCloud H2020 project from the European Commission, but the remaining shall be financed from our seed investment. We expect to receive revenue from some of our current products, including the CloudCuber/Box developed jointly with O&O Software GmbH, but not at a break-even point. We expect that SkyFlok sales will allow us to reach a break-even point by end of Q4 2018.

INCOME STATEMENT 1 JULY - 30 JUNE

	Note	2016/17 DKK	2015/16 DKK
GROSS LOSS		**-78.326**	**74.013**
Staff costs	1	-181.112	-420.903
Depreciation, amortisation and impairment		-25.428	-12.849
OPERATING LOSS		**-284.866**	**-359.739**
Other financial income		0	3.414
Other financial expenses		-1.720	-9
PROFIT BEFORE TAX		**-286.586**	**-356.334**
Tax on profit/loss for the year	2	62.903	77.931
PROFIT FOR THE YEAR		**-223.683**	**-278.403**

PROPOSED DISTRIBUTION OF PROFIT

Accumulated profit		-223.683	-278.403
TOTAL		**-223.683**	**-278.403**

BALANCE SHEET AT 30 JUNE

ASSETS	Note	2017 DKK	2016 DKK
Development projects in progress and prepayments		3.845.077	2.227.971
Intangible fixed assets	3	**3.845.077**	**2.227.971**
Other plants, machinery, tools and equipment		23.398	21.604
Tangible fixed assets	4	**23.398**	**21.604**
Rent deposit and other receivables		45.791	36.880
Fixed asset investments	5	**45.791**	**36.880**
FIXED ASSETS		**3.914.266**	**2.286.455**
Trade receivables		178.822	14.643
Other receivables		82.671	26.906
Receivables corporation tax		764.834	618.703
Receivables		**1.026.327**	**660.252**
Cash and cash equivalents		**352.508**	**66.043**
CURRENT ASSETS		**1.378.835**	**726.295**
ASSETS		**5.293.101**	**3.012.750**
EQUITY AND LIABILITIES			
Share capital		106.939	97.000
Transfer to reserve for development costs		1.261.343	0
Retained profit		-1.985.525	-500.499
EQUITY	6	**-617.243**	**-403.499**
Provision for deferred tax		812.000	455.000
PROVISION FOR LIABILITIES		**812.000**	**455.000**
Convertible and interest-bearing debt instruments		4.285.579	2.467.451
Long-term liabilities	7	**4.285.579**	**2.467.451**
Trade payables		65.535	28.407
Other liabilities		365.912	203.470
Accruals and deferred income		381.318	261.921
Current liabilities		**812.765**	**493.798**
LIABILITIES		**5.098.344**	**2.961.249**
EQUITY AND LIABILITIES		**5.293.101**	**3.012.750**
Contingencies etc.	8		
Information on uncertainty with respect to recognition and measurement	9		

NOTES

	2016/17 DKK	2015/16 DKK	Note
Staff costs			1
Average number of employees 3 (2015/16: 2)			
Wages and salaries	126.787	385.213	
Pensions	7.006	5.300	
Social security costs	10.847	4.567	
Other staff costs	36.472	25.823	
	181.112	**420.903**	
Tax on profit/loss for the year			2
Calculated tax on taxable income of the year	-419.903	-344.931	
Adjustment of deferred tax	357.000	267.000	
	-62.903	**-77.931**	

Intangible fixed assets 3

	Development projects in progress and prepayments
Cost at 1 July 2016	2.227.971
Additions	1.617.106
Cost at 30 June 2017	**3.845.077**
Carrying amount at 30 June 2017	**3.845.077**
Interest expenses recognised as part of cost of assets	425.018

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

The SkyFlok product in its Basic Tier is expected to be introduced on the market in Q1 2018. We expect to introduce the two premium Tiers in Q4 2018 and Q1 2020, respectively. Market studies show that there is a high demand for this new type of product given the demand for Multi-Cloud Storage 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 geographical control.

NOTES

		Note
Tangible fixed assets		4
	Other plants, machinery, tools and equipment	
Cost at 1 July 2016	40.912	
Additions	27.222	
Cost at 30 June 2017	**68.134**	
Depreciation and write-down at 1 July 2016	19.308	
Depreciation for the year	25.428	
Depreciation and write-down at 30 June 2017	**44.736**	
Carrying amount at 30 June 2017	**23.398**	

Fixed asset investments		5
	Rent deposit and other receivables	
Cost at 1 July 2016	36.880	
Additions	8.911	
Cost at 30 June 2017	**45.791**	
Carrying amount at 30 June 2017	**45.791**	

Equity 6

	Share capital	Transfer toreserve fordevelopmentcosts	Retained profit	Total
Equity at 1 July 2016	97.000	0	-500.499	-403.499
Capital increase	9.939			9.939
Proposed distribution of profit			-223.683	-223.683
Transfer to reserve for development costs		1.261.343	-1.261.343	
Equity at 30 June 2017	**106.939**	**1.261.343**	**-1.985.525**	**-617.243**

Long-term liabilities 7

	1/7 2016 total liabilities	30/6 2017 total liabilities	Repayment next year	Debt outstanding after 5 years
Convertible and interest-bearing debt instruments	2.467.451	4.285.579	0	0
	2.467.451	**4.285.579**	**0**	**0**

NOTES

	Note
Contingencies etc.	**8**

Chocolate Cloud had entered into a lease for which the notice of termination is 3 months. equivalent to DKK ('ODD) 19.

It has been agreed to the effect that debt instruments with a principal sum of DKK 3,218 thousand are to be settled at a price of 200 provided that thet are repaid after 30. june 2018. The debt instruments are to be repaid by 30 June 2019 at the latest.

Information on uncertainty with respect to recognition and measurement	**9**

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 2016/17 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.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- *Going forward, an amount corresponding to the capitalised development costs will be tied to the restricted reserve "Reserve for development costs" under equity. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.*

- *Going forward, the revaluation reserve under section 41 of the Danish Financial Statements Act to which fair value adjustments of property, plant and equipment and intangible assets are tied will be reduced by depreciation and amortisation. Previously, depreciation and amortisation were deducted from the Company's distributable reserves.*

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

ACCOUNTING POLICIES

Development costs
Costs of development at the Company's own expense are capitalised if the projects are clearly defined and identifiable, where the technical utilisation degree and a potential future market or development potential in the Company are evidenced. It is also required that the Company intends to produce, market or use the outcome of the project.

The cost of such projects includes direct wages and a share of the Company's indirect costs.

Capitalised development costs are amortised upon completion of the development work on a straight-line basis over the estimated useful lives. The amortisation period represents 3-5 years.

Equity
Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

Transactions with treasury shares are recognised directly in the distributable reserves of equity. An amount corresponding to the cost of treasury shares is deducted from distributable reserves. The selling price on the disposal of treasury shares is added to distributable reserves.

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item in equity.

Reserve for development costs
The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividend, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established.

The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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.

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.