

Exowave ApS

Billumgårdevej 13, 6852 Billum

Annual report

1 January - 31 December 2018

Company reg. no. 36 47 78 65

The annual report was submitted and approved by the general meeting on the 3 May 2019.

Martin Nissen Dahl
Chairman of the meeting

Contents

Page

Reports

- 1 Management's report
2 Independent auditor's report

Management's review

- 5 Company data
6 Management's review

Annual accounts 1 January - 31 December 2018

- 8 Accounting policies used
12 Profit and loss account
13 Balance sheet
15 Notes

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Exowave ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Billum, 3 May 2019

Managing Director

Martin Nissen Dahl

Board of directors

Martin Nissen Dahl

Lars Wigant

Michael Smedegaard

Independent auditor's report

To the shareholders of Exowave ApS

Opinion

We have audited the annual accounts of Exowave ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties concerning the enterprise's ability to continue as a going concern

Without modifying our opinion, we refer to note 1, which mentions that the financial statements have been prepared as a going-concern. The continued operation is subject to the company's existing credit facilities can be maintained and where necessary expanded as funding requires. The company's largest creditors, who are its owners, has in support, given letters of subordination for their receivables to the company's unsecured creditors.

Emphasis of matter

Without modifying our opinion, we refer to note 2, which mentions uncertainty on the valuation of intangible assets in the company's investments in subsidiary and receivables from subsidiary.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Independent auditor's report

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Esbjerg, 3 May 2019

Martinsen

State Authorised Public Accountants
Company reg. no. 32 28 52 01

Alexander Rasmussen

State Authorised Public Accountant
mne24721

Company data

The company

Exowave ApS
Billumgårdevej 13
6852 Billum

Company reg. no. 36 47 78 65
Established: 30 December 2014
Domicile:
Financial year: 1 January - 31 December
4th financial year

Board of directors

Martin Nissen Dahl, Gammel Kongevej 99, 4. tv., 1850 Frederiksberg C
Lars Wigant, Billumgårdevej 13, 6852 Billum
Michael Smedegaard, Kildegårdvej 15, 6852 Billum

Managing Director

Martin Nissen Dahl, Gammel Kongevej 99, 4. tv., 1850 Frederiksberg C

Auditors

Martinsen
Statsautoriseret Revisionspartnerselskab
Edison Park 4
6715 Esbjerg N

Subsidiary

Patentselskabet af 30. november 2014 ApS, Esbjerg

Management's review

The principal activities of the company

Exowave ApS purpose is to operate in the development, production, trading and as service provider of renewable energy from the oceans and related operations.

Across the planet great efforts are being made to ensure that future energy needs can be supplied from renewable energy sources. The market for marine energy is expected to grow and the number of companies in the global marine energy market grows year by year in an international perspective. .

Development in activities and financial matters

The results from ordinary activities after tax are DKK -150.230 against DKK -472.062 last year. The result reflects the planned activities and is considered by the management to be satisfactory.

The company's combined investments since being established in late 2014 has ensured a successful acquisition of patent rights and knowledge in Phase 0. In 2016-2018 the activities are mainly in development and testing of a scale model in Phase 1 and the development and testing of prototype under natural conditions in the North Sea (Phase 2).

By the end of the financial year 2018, the company's equity is -65.579 DKK. The management has increased awareness on the need for funding in 2019.

Background

2018 was Exowave ApS' fourth financial year. The company's subsidiary Patentselskabet af 30. november 2014 ApS, hold the rights to a Wave Energy Converter (WEC). The WEC can harvest the movements in the oceans and generate energy through a mechanical piston device. The energy comes out of the converter as mass pressure applied either to a power takeoff unit (PTO), which is possible to connect either to the electricity grid, or to any other application device as mass pressure directly as an energy source. The production of mass pressure as power is totally carbon neutral and has no emissions.

The expected development

In the planned development phases efforts are addressed to secure that the WEC will show a stable and robust viability in live nature under demanding conditions submerged in the sea.

The evolution of the wave energy converter from idea to fully commercialized takes place through a series of development phases that will ensure progress in maturity through development, testing, demonstration and documentation. By the end of 2018, the Phase 0 (Study) in collaboration with Aalborg University, Phase 1 (Tanktest) and Phase 2 (Prototype) are progressed successfully. Significant parts of Phase 2 have been planned to be finalised in 2019 followed by Phase 3 with a new version of the WEC configured in an integrated solution as a specific testfacility.

Going-concern

The financial statements have been prepared as a going-concern. The continued operation is subject to the company's existing credit facilities are maintained and expanded. The company's largest creditors, who are its owners, has in support, given letters of subordination for their receivables to the company's unsecured creditors.

Management's review

Events subsequent to the financial year

There have been no events after the balance sheet date, which would influence the company's financial position in any significant way.

Accounting policies used

The annual report for Exowave ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

The profit and loss account

Gross loss

The gross loss comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration and premises.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

Accounting policies used

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Accounting policies used

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Exowave ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Exowave ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or "Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Accounting policies used

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross loss	-18.154	-347.226
Income from equity investments in group enterprises	-158.547	-148.799
Other financial income from group enterprises	26.471	23.953
Other financial income	0	10
Results before tax	-150.230	-472.062
Tax on ordinary results	0	0
Results for the year	-150.230	-472.062
 Proposed distribution of the results:		
Allocated from results brought forward	-150.230	-472.062
Distribution in total	-150.230	-472.062

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets		
Fixed assets		
Deposits	3.000	3.000
Financial fixed assets in total	3.000	3.000
Fixed assets in total	3.000	3.000
Current assets		
Amounts owed by group enterprises	432.851	491.775
Other debtors	977	24.944
Debtors in total	433.828	516.719
Available funds	2.064	13.391
Current assets in total	435.892	530.110
Assets in total	438.892	533.110

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities		<u>2018</u>	<u>2017</u>
<u>Note</u>			
Equity			
4	Contributed capital	63.000	63.000
5	Results brought forward	-128.579	21.651
	Equity in total	<u>-65.579</u>	<u>84.651</u>
 Liabilities			
	Trade creditors	15.000	15.000
	Debt to shareholders and management	375.000	375.000
	Other debts	<u>114.471</u>	<u>58.459</u>
	Short-term liabilities in total	<u>504.471</u>	<u>448.459</u>
	Liabilities in total	<u>504.471</u>	<u>448.459</u>
	 Equity and liabilities in total	 <u>438.892</u>	 <u>533.110</u>

- 1** Uncertainties concerning the enterprise's ability to continue as a going concern
- 2** Uncertainties concerning recognition and measurement
- 6** Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The financial statements have been prepared as a going-concern. The continued operation is subject to the company's existing credit facilities can be maintained and where necessary expanded as funding requires. The company's largest creditors, who are its owners, has in support, given letters of subordination for their receivables to the company's unsecured creditors.

2. Uncertainties concerning recognition and measurement

The Company's investments in subsidiary and receivable are stated at the value stated in the financial statements for the subsidiary.

Intellectual property rights in subsidiary are recorded in the balance sheet at cost and depreciated over a maximum of five years, based on the expectation that they can be used commercially and generate a return in the future. The patents are used as the basis for continued development, demonstration and commercialization in connection with projects planned until 2022.

	<u>31/12 2018</u>	<u>31/12 2017</u>
3. Equity investments in group enterprises		
Acquisition sum, opening balance	40.000	40.000
Cost closing balance	40.000	40.000
Revaluations, opening balance	-370.608	-221.809
Results for the year before goodwill amortisation	-158.595	-148.799
Revaluation closing balance	-529.203	-370.608
Offsetting against debtors	489.203	330.608
Set off against debtors and provisions for liabilities	489.203	330.608
Book value closing balance	0	0
Group enterprises:		
	Domicile	Share of ownership
Patentselskabet af 30. november 2014 ApS	Esbjerg	80 %

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
4. Contributed capital		
Contributed capital opening balance	63.000	62.700
Capital increase	<u>0</u>	<u>300</u>
	<u>63.000</u>	<u>63.000</u>
5. Results brought forward		
Results brought forward opening balance	21.651	444.013
Profit or loss for the year brought forward	-150.230	-472.062
Capital increase premium	<u>0</u>	<u>49.700</u>
	<u>-128.579</u>	<u>21.651</u>

6. Contingencies

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

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Lars Wigant

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Martin Nissen Dahl

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NEM ID 

Alexander Rasmussen

Statsautoriseret revisor

På vegne af: Martinsen Statsautoriseret Revisionspartnerselskab

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