

Patentselskabet af 30. november 2014 ApS

Billumgårdevej 13, 6852 Billum

Annual report

1 January - 31 December 2018

Company reg. no. 36 49 42 71

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

Martin Nissen Dahl
Chairman of the meeting

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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 Patentselskabet af 30. november 2014 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 Patentselskabet af 30. november 2014 ApS

Opinion

We have audited the annual accounts of Patentselskabet af 30. november 2014 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 creditor, who are its owner, has in support, given letter of subordination for 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 patents recorded in the balance sheet, which is presented 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.

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	Patentselskabet af 30. november 2014 ApS Billumgårdevej 13 6852 Billum
	Company reg. no. 36 49 42 71
	Established: 7 January 2015
	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
Parent company	Exowave ApS

Management's review

The principal activities of the company

Patentselskabet af 30. november 2014 ApS is established for the purpose of owning concessions, patents, licenses, trademarks and similar rights. The company is owned 80 percent by Exowave ApS and 20 percent by Firmaet Lars Wigant ApS.

The company has acquired rights and patents for the continued development, demonstration and commercialization of facilities for the production of marine energy. Rights and patents are recorded as intangible fixed assets in the company's balance sheet, taking into account an expected minimum lifetime of five years.

Patents have been granted on the company's wave energy converter in the United States, Mexico, Australia and a number of EU countries. There are expectations that the national patent offices in India, Brazil, Canada, Japan and China will grant patent protection during the period up to 2020. (Patent Publication number WO2013189500 Wave Power Converter).

Development in activities and financial matters

The company has in the reporting period had a loss of DKK -198.244 against DKK -185.999 last year. The result reflects the planned activities. The result is considered by management to be according to expectations.

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 Patentselskabet af 30. november 2014 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).

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross loss

The gross loss comprises external costs.

Accounting policies used

Other external costs comprise costs for administration.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

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.

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.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

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

Intangible fixed assets

Development projects, patents, and licences

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over 5 years.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Accounting policies used

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

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.

According to the rules of joint taxation, Patentselskabet af 30. november 2014 ApS is proportionally 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.

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

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	-17.088	-17.088
Amortisation and writedown relating to intangible fixed assets	-154.685	-144.958
Results before net financials	-171.773	-162.046
3 Other financial costs	-26.471	-23.953
Results before tax	-198.244	-185.999
Tax on ordinary results	0	0
Results for the year	-198.244	-185.999
Proposed distribution of the results:		
Allocated from results brought forward	-198.244	-185.999
Distribution in total	-198.244	-185.999

Balance sheet 31 December

All amounts in DKK.

Assets	2018	2017
<u>Note</u>		
Fixed assets		
4 Acquired concessions, patents, licenses, trademarks and similar rights	390.504	467.070
Intangible fixed assets in total	390.504	467.070
Fixed assets in total	390.504	467.070
 Current assets		
Other debtors	754	19.085
Debtors in total	754	19.085
Available funds	15.069	2.127
Current assets in total	15.823	21.212
 Assets in total	406.327	488.282

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities		<u>2018</u>	<u>2017</u>
<u>Note</u>			
Equity			
5	Contributed capital	50.000	50.000
6	Results brought forward	-661.505	-463.261
	Equity in total	<u>-611.505</u>	<u>-413.261</u>
Liabilities			
	Trade creditors	13.222	29.138
	Debt to group enterprises	922.005	822.383
	Other debts	82.605	50.022
	Short-term liabilities in total	<u>1.017.832</u>	<u>901.543</u>
	Liabilities in total	<u>1.017.832</u>	<u>901.543</u>
	Equity and liabilities in total	<u>406.327</u>	<u>488.282</u>

- 1** Uncertainties concerning the enterprise's ability to continue as a going concern
- 2** Uncertainties concerning recognition and measurement
- 7** 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 creditor, who are its owner, has in support, given letter of subordination for receivables to the company's unsecured creditors.

2. Uncertainties concerning recognition and measurement

There is uncertainty on the valuation of patents recorded in the balance sheet, which is presented 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 2023

	<u>2018</u>	<u>2017</u>
3. Other financial costs		
Financial costs, group enterprises	26.471	23.953
	<u>26.471</u>	<u>23.953</u>
	<u>31/12 2018</u>	<u>31/12 2017</u>
4. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January 2018	822.690	660.436
Additions during the year	78.117	162.252
Cost 31 December 2018	<u>900.807</u>	<u>822.688</u>
Amortisation and writedown 1 January 2018	-355.618	-210.660
Amortisation for the year	-154.685	-144.958
Amortisation and writedown 31 December 2018	<u>-510.303</u>	<u>-355.618</u>
Book value 31 December 2018	<u>390.504</u>	<u>467.070</u>
5. Contributed capital		
Contributed capital 1 January 2018	50.000	50.000
	<u>50.000</u>	<u>50.000</u>

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
6. Results brought forward		
Results brought forward 1 January 2018	-463.261	-277.262
Profit or loss for the year brought forward	<u>-198.244</u>	<u>-185.999</u>
	<u>-661.505</u>	<u>-463.261</u>

7. Contingencies

Joint taxation

Exowave ApS, company reg. no 36477865 being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies.

The liabilities amount to a maximum corresponding to that share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

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

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Lars Wigant

Bestyrelsesmedlem

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På vegne af: Martinsen Statsautoriseret Revisionspartnerselskab

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