

CyberCrypt A/S
Tuborg Boulevard 12, 3., 2900 Hellerup

Company reg. no. 37 66 44 80

Annual report

1 January - 31 December 2018

The annual report have been submitted and approved by the general meeting on the 17 January 2019.

Peter Jerry Sørensen
Chairman of the meeting

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Notes to users of the English version of this document:

- This document is a translation of a Danish version of the document. In the event of any dispute regarding the interpretation of any part of the document, the Danish version of the document shall prevail.
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of CyberCrypt A/S 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.

The board of directors and the managing director considers the requirements of omission of audit of the annual accounts for 2018 as met.

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.

Hellerup, 17 January 2019

Managing Director

Andrey Bogdanov

Board of directors

Peter Jerry Sørensen

Andrey Bogdanov

Philip Martin Graff

Auditor's report on compilation of the annual accounts

To the management of CyberCrypt A/S

We have compiled the annual accounts of CyberCrypt A/S for the period 1 January to 31 December 2018 based on the bookkeeping of the company and on further information you have provided.

The annual accounts comprise the accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes.

We performed this engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our professional expertise to assist you in the preparation and presentation of the annual accounts in accordance with the Danish Financial Statements Act. We have complied with relevant requirements of the Danish Act on Approved Auditors and Audit Firms and with ethical requirements of the Danish Institute of State Authorised Public Accountants, including principles of integrity, objectivity, professional competence and due care.

The annual accounts and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the annual accounts. Accordingly, we do not express an audit opinion or a review conclusion on whether the annual accounts are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 17 January 2019

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

Kim Kjellberg

State Authorised Public Accountant
mne29452

Company data

The company

CyberCrypt A/S
Tuborg Boulevard 12, 3.
2900 Hellerup

Company reg. no. 37 66 44 80
Established: 4 May 2016
Financial year: 1 January - 31 December

Board of directors

Peter Jerry Sørensen
Andrey Bogdanov
Philip Martin Graff

Managing Director

Andrey Bogdanov

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Parent company

Cybersecurity Holding ApS

Management's review

The principal activities of the company

The purpose of the company is to make the world immune to cyber-attacks i.e. develop cyber security software and provide consulting services in connection to cyber security as well as related activities.

CyberCrypt is the world's leading system provider in robust cryptography. The company establish and innovate the foundations of cybersecurity with a unique patent-pending technology to safely protect secret keys in software - making it cyber immune.

Unusual matters

There have not been unusual matters in the financial year.

Uncertainties as to recognition or measurement

There have not been uncertainties as to recognition or measurement in the financial year.

Development in activities and financial matters

The gross profit for the year is DKK 1.257.524 against DKK 1.020.657 last year. The management consider the results satisfactory.

Accounting policies used

The annual report for CyberCrypt A/S 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).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, direct costs 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.

Direct costs comprises consultancy fees and contract work.

Other external costs comprises costs for sales, travelling, premises and administration.

Accounting policies used

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members.

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, 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

Development costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

Accounting policies used

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 5-10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	<i>Useful life</i>	<i>Residual value</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0-20 %</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

All other contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

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.

Accounting policies used

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.

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.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

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, CyberCrypt A/S 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.

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

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 profit	3.162.074	1.304.946
1 Staff costs	-1.511.484	0
Depreciation and writedown relating to fixed assets	-6.337	0
Other financial costs	-21.556	-3.019
Results before tax	1.622.697	1.301.927
2 Tax on ordinary results	-365.173	-281.270
Results for the year	1.257.524	1.020.657
 Proposed distribution of the results:		
Allocated to results brought forward	1.257.524	1.020.657
Distribution in total	1.257.524	1.020.657

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2018</u>	<u>2017</u>
Fixed assets		
Development projects in progress and prepayments for intangible fixed assets	540.411	0
Intangible fixed assets in total	540.411	0
Other plants, operating assets, and fixtures and furniture	32.883	0
Tangible fixed assets in total	32.883	0
3 Other receivables	144.000	0
Deposits	55.006	21.000
Financial fixed assets in total	199.006	21.000
Fixed assets in total	772.300	21.000
Current assets		
Trade debtors	0	530.226
Amounts owed by group enterprises	52.390	47.850
Other receivables	388.170	24.370
Debtors in total	440.560	602.446
Available funds	1.700.437	1.281.208
Current assets in total	2.140.997	1.883.654
Assets in total	2.913.297	1.904.654

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2018</u>	<u>2017</u>
Equity		
Contributed capital	400.000	50.000
Reserve for development expenditure	421.521	0
Results brought forward	1.483.318	997.315
Equity in total	<u>2.304.839</u>	<u>1.047.315</u>
 Provisions		
Provisions for deferred tax	119.653	0
Provisions in total	<u>119.653</u>	<u>0</u>
 Liabilities		
Trade creditors	73.373	43.833
Corporate tax	245.520	281.270
Other debts	169.912	532.236
Short-term liabilities in total	488.805	857.339
Liabilities in total	<u>488.805</u>	<u>857.339</u>
 Equity and liabilities in total	<u>2.913.297</u>	<u>1.904.654</u>

4 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for development expenditure	Results brought forward	In total
Equity 1 January 2017	50.000	0	-23.342	26.658
Profit or loss for the year brought forward	<u>0</u>	<u>0</u>	<u>1.020.657</u>	<u>1.020.657</u>
Equity 1 January 2018	50.000	0	997.315	1.047.315
Profit or loss for the year brought forward	0	0	1.257.524	1.257.524
Transferred from results brought forward	0	421.521	-421.521	0
Transferred from distributed reserves	<u>350.000</u>	<u>0</u>	<u>-350.000</u>	<u>0</u>
	<u>400.000</u>	<u>421.521</u>	<u>1.483.318</u>	<u>2.304.839</u>

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
1. Staff costs		
Salaries and wages	1.411.692	0
Pension costs	85.600	0
Other costs for social security	<u>14.192</u>	<u>0</u>
	<u>1.511.484</u>	<u>0</u>
Average number of employees	<u>4</u>	<u>0</u>
2. Tax on ordinary results		
Tax of the results of the year	245.520	281.270
Adjustment for the year of deferred tax	<u>119.653</u>	<u>0</u>
	<u>365.173</u>	<u>281.270</u>

3. Other receivables

Other receivables comprize a security to the Danish Tax Authorities

4. Contingencies

Contingent liabilities

The company has entered into operational leasing contracts. The notice period is 3 months, and the total outstanding leasing payment would be DKK 100.500.

Joint taxation

Cybersecurity Holding ApS, company reg. no 37 66 34 92 being the administration company, the company is 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.

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.

ΠΕΝΝΕΟ

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