

RFRSH ApS
Otto Busses Vej 5 A, 2.
2450 København SV
Business Registration No
38074466

Annual report 2018

The Annual General Meeting adopted the annual report on 30.07.2019

Chairman of the General Meeting

Name: Nikolaj Nyholm

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Entity details

Entity

RFRSH ApS
Otto Busses Vej 5 A, 2.
2450 København SV

Central Business Registration No (CVR): 38074466

Registered in: København

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

René Efraim Rechtman, Chairman
Simon Schmincke
Jimmy Fussing Nielsen
Erik Balck Sørensen
Nikolaj Nyholm

Executive Board

Nikolaj Nyholm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of RFRSH ApS for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 30.07.2019

Executive Board

Nikolaj Nyholm

Board of Directors

René Efraim Rechtman
Chairman

Simon Schmincke

Jimmy Fussing Nielsen

Erik Balck Sørensen

Nikolaj Nyholm

Independent auditor's report

To the shareholders of RFRSH ApS

Opinion

We have audited the financial statements of RFRSH ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

Material uncertainty related to going concern

As described in Note 1 and in the Management commentary, RFRSH ApS and its subsidiaries plan to make further investments in further developing the business areas of the Group in 2019. End July 2019, the Company has concluded an agreement about the sale of RFRSH Teams ApS which will provide funds to the Company in 2nd half 2019. In addition, Management is in dialogue with current investors and potential investors/lenders, which is expected to secure further funding to the Company in the foreseeable future. We refer to Note 1 which describes the assumptions applied by Management in determining that it is appropriate to prepare the financial statements assuming that RFRSH ApS is a going-concern. Our opinion has not been modified with respect to this matter.

Management's responsibilities 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of 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 judgement and maintain professional scepticism 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.
- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 the management commentary.

Non-compliance of the provisions of the Danish Financial Statements Act on timely filing of annual reports

The Company has not complied with the filing requirements of the Danish Financial Statements Act as the annual report for 2018 has not been completed and filed within the time frame stipulated in section 138 of the Danish Financial Statements Act, for which Management may be held liable.

Copenhagen, 30.07.2019

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Kim Takata Mücke

State Authorised Public Accountant

Identification No (MNE) mne10944

Management commentary

Primary activities

RFRSH ApS ("RFRSH" or "the Company") is a media rights company, which has developed, owns and runs BLAST Pro Series, a global esports tournament, as well as a range of live, original and reality content productions. RFRSH provides winning commercial and marketing strategies for companies looking to enter and succeed in the growing and challenging esports market.

RFRSH represents, manages and runs commercial operations for one of the world's best CS:GO teams of which the company holds partial ownership of Astralis.

Development in activities and finances

The financial result for 2018 is a loss on TDKK 45.323. This result is in line with expectations and the result of significant establishment costs and investment in facilities, organization and development of the global Counter-Strike tournament BLAST Pro Series.

Main points and achievements in 2018

- Further developed and implemented the RFRSH Performance Model for Astralis, resulting in the best ever year for a counter-strike team, including 10 tournament wins and a solid 1st place in the world rankings throughout the year.
- Successfully achieved a franchise spot in the European League of Legends and rebuilding the Origen brand.
- Sold activities in Heroic to change the focus of the teams business in a direction with ownership of only one team per game.
- Successfully scaled BLAST Pro Series to three events, including a new version of a sold-out Royal Arena, Copenhagen.
- Increased revenue significantly by entering into bigger and longer deals both on teams and BLAST.
- Successfully raised another significant investment round, bringing onboard the Danish Growth Fund as an investor.
- Further strengthened the organization, especially in building a strong commercial team in London.

Main developments post 31.12.18

- Planned and designed the BLAST events in 2019, which for the first time is going to be a full season with 7-8 events, including a season final.
- Entering into agreements with international top teams to participate in all BLAST events throughout the year.
- Partnered up with strong, local partners to further develop BLAST Pro Series on a global scale.
- Started a fundraiser specifically for the teams, primarily to finance the franchise fee for the European League of Legends.
- Setting up Origen to become a top team in the European League of Legends, primarily through implementing the RFRSH Performance Model.
- Further increasing monetization of teams and BLAST to increase revenue significantly.
- In 2nd half 2019, the business around teams and BLAST Pro Series will be separated with the sale of RFRSH Teams ApS. See below description of "Events after the balance sheet date".

Management commentary

Expectations for 2019 is a further investment in the BLAST Pro Series as the preferred choice of esports entertainment. It is still expected that 2019 will be an investment year with significant revenue growth.

Events after the balance sheet date

End July 2019, the Company has concluded an agreement about a sale of RFRSH Teams ApS and its subsidiaries at a price higher than book value. The gain will be reflected in the 2019 financial statements. The transaction is expected to be closed in the near future.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2016/17 DKK</u>
Revenue		31.660.296	14.682.086
Cost of sales		(44.704.010)	(27.569.447)
Other external expenses		<u>(15.118.999)</u>	<u>(3.462.459)</u>
Gross profit/loss		(28.162.713)	(16.349.820)
Staff costs	2	(13.999.997)	(8.434.295)
Depreciation, amortisation and impairment losses		<u>(681.049)</u>	<u>(77.826)</u>
Operating profit/loss		(42.843.759)	(24.861.941)
Other financial income		599.248	258.248
Other financial expenses		<u>(5.816.803)</u>	<u>(2.500.666)</u>
Profit/loss before tax		(48.061.314)	(27.104.359)
Tax on profit/loss for the year	3	<u>2.738.351</u>	<u>0</u>
Profit/loss for the year		(45.322.963)	(27.104.359)
Proposed distribution of profit/loss			
Retained earnings		<u>(45.322.963)</u>	<u>(27.104.359)</u>
		(45.322.963)	(27.104.359)

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2016/17 DKK</u>
Other fixtures and fittings, tools and equipment		488.932	0
Leasehold improvements		494.359	1.089.561
Property, plant and equipment		983.291	1.089.561
Investments in group enterprises		5.764.856	5.763.107
Deposits		205.100	200.000
Fixed asset investments	4	5.969.956	5.963.107
Fixed assets		6.953.247	7.052.668
Trade receivables		4.333.905	2.867.273
Receivables from group enterprises		14.404.206	9.120.355
Income tax receivable		2.738.351	0
Prepayments		215.968	52.361
Receivables		21.692.430	12.039.989
Cash		43.660.250	7.852.053
Current assets		65.352.680	19.892.042
Assets		72.305.927	26.944.710

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2016/17 DKK</u>
Contributed capital	5	166.946	112.102
Retained earnings		<u>58.488.102</u>	<u>23.181.769</u>
Equity		<u>58.655.048</u>	<u>23.293.871</u>
Prepayments received from customers		2.829.978	996.123
Trade payables		7.992.129	0
Payables to group enterprises		0	1.102.757
Other payables		<u>2.828.772</u>	<u>1.551.959</u>
Current liabilities other than provisions		<u>13.650.879</u>	<u>3.650.839</u>
Liabilities other than provisions		<u>13.650.879</u>	<u>3.650.839</u>
Equity and liabilities		<u>72.305.927</u>	<u>26.944.710</u>
Going concern	1		
Contingent assets	6		
Contingent liabilities	7		

Statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	112.102	23.181.769	23.293.871
Increase of capital	54.844	80.629.296	80.684.140
Profit/loss for the year	0	(45.322.963)	(45.322.963)
Equity end of year	166.946	58.488.102	58.655.048

Notes

1. Going concern

RFRSH ApS and its subsidiaries have in 2018 made significant investments in the business areas of the Group. During 2018, RFRSH ApS and subsidiaries have received funding from current and new investors. Also in 2019, RFRSH ApS and subsidiaries are expecting to make significant investments to further develop the Group's business. RFRSH ApS has received funding from current investors in 1st half of 2019.

End July 2019, RFRSH ApS has concluded an agreement about the sale of RFRSH Teams ApS (including its subsidiaries), which will provide funds to RFRSH ApS in 2nd half 2019. The sale of RFRSH Teams ApS and subsidiaries is expected to be closed in the near future.

In addition, Management is in dialogue with current investors and potential investors/lenders to obtain further funding, which Management assess is both realistic and achievable based on the current dialogue with current investors and potential investors/lenders. Additionally, Management has plans for corrective actions, if fund raising should be delayed.

On this basis, Management concludes that it is appropriate to adopt the going-concern basis in preparing the financial statements for 2018.

	2018	2016/17
	DKK	DKK
2. Staff costs		
Wages and salaries	13.076.306	7.710.895
Pension costs	480.529	225.484
Other social security costs	162.080	70.587
Other staff costs	281.082	427.329
	13.999.997	8.434.295
Average number of employees	25	12

	2018	2016/17
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	(2.738.351)	0
	(2.738.351)	0

Current tax is related to reimbursement of tax losses from development cost according to Danish tax credit system.

Notes

	Invest- ments in group enterprises DKK	Deposits DKK
4. Fixed asset investments		
Cost beginning of year	5.763.107	200.000
Additions	5.766.600	5.100
Disposals	(5.764.851)	0
Cost end of year	5.764.856	205.100
Carrying amount end of year	5.764.856	205.100

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
RFRSH Teams ApS	Copenhagen	ApS	100,0
Blast Pro Copenhagen 2017 IVS	Copenhagen	IVS	100,0
RFRSH UK Ltd.	London	Ltd.	100,0
Selskabet af 16. september 2016 IVS	Copenhagen	IVS	80,0

	Number	Nominal value DKK
5. Contributed capital		
Common shares	7.105.596	71.056
Preference shares (A shares)	9.589.030	95.890
	16.694.626	166.946

6. Contingent assets

The Company has a non-recognised deferred tax asset of TDKK 15.256 primarily related to tax losses to be carried forward. Due to current earnings history the Company has determined that it cannot recognise the deferred tax assets.

Notes

7. Contingent liabilities

The Company has issued a comfort letter in favour of Astralis Esports ApS, a subsidiary of RFRSH Teams ApS. The obligations under the comfort letter will be transferred to the buyer upon completion of the sale of RFRSH Teams ApS.

Commitments under rental agreements or leases until expiry equal of TDKK 200.

The Company participates in a Danish joint taxation arrangement in which the Company serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the joint taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue from the sales of services is recognised concurrently with the delivery of the services.

Revenue from sponsorships is recognised in the income statement over the duration of the sponsorships.

Revenue from ticket sales and other revenue from events are recognised in the income statement when the events take place.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise direct costs related to venue and events to achieve the revenue for the year.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for IT, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Accounting policies

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment for the financial year, calculated on the basis of the residual values and useful lives of the individual assets as well as any gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, and currency gains.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, and currency losses.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is administration company of the joint taxation arrangement with its Danish subsidiaries. The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment & leasehold improvements are measured at cost less accumulated depreciation.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Other fixtures and fittings, tools and equipment	2 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

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

Prepayments received from customers

Prepayments received from customers comprise amounts received from sponsorships.