Greenwave Denmark Holding ApS

Bryggervangen 55, 4, DK-2100 København Ø

Annual Report for 1 January - 31 December 2019

CVR No 38 21 90 81

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 01/10 2020

Peter Thomas Brandt
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Greenwave Denmark Holding ApS for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 1 October 2020

Executive Board

Peter Thomas Brandt

Independent Auditor's Report

To the Shareholder of Greenwave Denmark Holding ApS

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Greenwave Denmark Holding ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Group 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.

Material Uncertainty Related to Going Concern
Without making modifications to our opinion, we draw attention to the information in note 1, in which the management explains significant uncertainty regarding the circumstances and events that could rise significant doubts about the company's ability to continue its operations. This uncertainty attributes to the company's ability to obtain the necessary funding. The Management believes that it is possible to acquire sufficient capital, and in accordance with this, the annual report is presented as going concern.

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 Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

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 Company's and the Group'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 Group's and 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 Group and 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 1 October 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Flemming Eghoff State Authorised Public Accountant mne30221	Claus Damhave State Authorised Public Accountant mne34166

Company Information

The Company	Greenwave Denmark Holding ApS Bryggervangen 55, 4 DK-2100 København Ø CVR No: 38 21 90 81 Financial period: 1 January - 31 December Municipality of reg. office: København
Executive Board	Peter Thomas Brandt
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2019	2018
	TUSD	TUSD
Key figures		
Profit/loss		
Gross profit/loss	3.620	1.320
Profit/loss before financial income and expenses	-1.555	-8.765
Net financials	1.703	-2.914
Net profit/loss for the year	191	-11.692
Balance sheet		
Balance sheet total	9.477	8.043
Equity	-77.428	-77.327
Cash flows		
Cash flows from:		
- operating activities	-3.305	8.006
- investing activities	-82	2
- financing activities	2.715	-8.434
Change in cash and cash equivalents for the year	-673	-426
Number of employees	60	109
Ratios		
Return on assets	-16,4%	-109,0%
Solvency ratio	-817,0%	-961,4%
Return on equity	-0,2%	16,3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The main activity of the Group is to operate with development, production and distribution of technology solutions, as well as other related activities.

Development in the year

The income statement of the Group for 2019 shows a profit of USD 190,955, and at 31 December 2019 the balance sheet of the Group shows negative equity of USD 77,427,983.

Management is not satisfied with the development and the financial results of the Group in 2019.

Capital resources

We draw attention to the information in note 1.

Foreign exchange risks

The Financial Statements are presented in USD and the Group is exposed to the development in SGD, KRW and DKK.

Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risks

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits, receivables from group enterprises and other receivables.

For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Targets and expectations for the year ahead

The Group expects an EBIT in 2020 in the range of USD 3 - 5 million, based on acquiring new larger clients.

Research and development

Due to uncertainty about the future earnings of projects, research and development costs are recognised as an expense in the income statement when incurred.

Management's Review

Uncertainty relating to recognition and measurement

We draw attention to the information in note 1.

Unusual events

The financial position at 31 December 2019 of the Group and the results of the activities and cash flows of the Group for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have a great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurring after the balance sheet date (31 December 2019), and therefore will not affect on the Financial Statements for 2019 (a nonadjusting event).

The changed operation may have a negative impact on the Company's revenue as well as net profit for 2020 however at this time, it is not possible to provide a reliable estimate of the impact.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2019	2018	2019	2018
		USD	USD	USD	USD
Gross profit/loss		**3.619.975**	**1.320.085**	**-107.216**	**0**
Staff expenses	3	-4.986.481	-9.879.033	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-188.692	-205.955	0	0
Profit/loss before financial income and expenses		**-1.555.198**	**-8.764.903**	**-107.216**	**0**
Income from investments in subsidiaries	4	0	0	1.600.000	-61.500.000
Financial income	5	2.946.444	93.855	2.790	3.197
Financial expenses	6	-1.243.244	-3.008.152	-648.728	-1.086.767
Profit/loss before tax		**148.002**	**-11.679.200**	**846.846**	**-62.583.570**
Tax on profit/loss for the year	7	42.953	-12.417	27.947	0
Net profit/loss for the year		**190.955**	**-11.691.617**	**874.793**	**-62.583.570**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2019	2018	2019	2018
		USD	USD	USD	USD
Software		11.898	119.854	0	0
Intangible assets	8	**11.898**	**119.854**	**0**	**0**
Other fixtures and fittings, tools and equipment		102.835	70.308	0	0
Property, plant and equipment	9	**102.835**	**70.308**	**0**	**0**
Investments in subsidiaries	10	0	0	6.200.000	4.600.000
Other receivables	11	24.766	55.949	0	0
Fixed asset investments		**24.766**	**55.949**	**6.200.000**	**4.600.000**
Fixed assets		**139.499**	**246.111**	**6.200.000**	**4.600.000**
Trade receivables		507.843	0	0	0
Receivables from group enterprises		8.563.948	6.684.873	1.275	8.225
Other receivables		167.071	248.649	0	0
Corporation tax receivable from group enterprises		0	0	139.663	85.096
Prepayments	12	59.815	151.775	7.586	0
Receivables		**9.298.677**	**7.085.297**	**148.524**	**93.321**
Cash at bank and in hand		**38.376**	**711.117**	**0**	**0**
Currents assets		**9.337.053**	**7.796.414**	**148.524**	**93.321**
Assets		**9.476.552**	**8.042.525**	**6.348.524**	**4.693.321**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2019 USD	Group 2018 USD	Parent company 2019 USD	Parent company 2018 USD
Share capital		35.649	35.649	35.649	35.649
Retained earnings		-77.463.632	-77.362.937	-34.702.936	-35.577.729
Equity		**-77.427.983**	**-77.327.288**	**-34.667.287**	**-35.542.080**
Other payables		62.049	0	0	0
Long-term debt	14	**62.049**	**0**	**0**	**0**
Trade payables		497.937	587.097	111.157	0
Payables to group enterprises		85.837.201	82.868.137	40.904.654	40.231.461
Payables to owners and Management		104.452	289.132	0	0
Corporation tax		0	67.751	0	0
Other payables	14	394.358	1.136.440	0	3.940
Deferred income	15	8.538	421.256	0	0
Short-term debt		**86.842.486**	**85.369.813**	**41.015.811**	**40.235.401**
Debt		**86.904.535**	**85.369.813**	**41.015.811**	**40.235.401**
Liabilities and equity		**9.476.552**	**8.042.525**	**6.348.524**	**4.693.321**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	USD	USD	USD
2019			
Equity at 1 January	35.649	-77.362.937	-77.327.288
Exchange adjustments	0	-291.650	-291.650
Net profit/loss for the year	0	190.955	190.955
Equity at 31 December	**35.649**	**-77.463.632**	**-77.427.983**

Group

	Share capital	Retained earnings	Total
2018			
Equity 1. januar	35.649	-66.083.238	-66.047.589
Exchange adjustments	0	411.918	411.918
Net profit/loss for the year	0	-11.691.617	-11.691.617
Equity at 31 December	**35.649**	**-77.362.937**	**-77.327.288**

Parent company

	Share capital	Retained earnings	Total
2019			
Equity at 1 January	35.649	-35.577.729	-35.542.080
Net profit/loss for the year	0	874.793	874.793
Equity at 31 December	**35.649**	**-34.702.936**	**-34.667.287**

Parent company

	Share capital	Retained earnings	Total
2018			
Equity 1. januar	35.649	27.005.841	27.041.490
Net profit/loss for the year	0	-62.583.570	-62.583.570
Equity at 31 December	**35.649**	**-35.577.729**	**-35.542.080**

Cash Flow Statement 1 January - 31 December

	Note	Group 2019 USD	Group 2018 USD
Net profit/loss for the year		190.955	-11.691.617
Adjustments	16	-1.557.461	3.132.669
Change in working capital	17	-3.641.895	19.064.557
Cash flows from operating activities before financial income and expenses		**-5.008.401**	**10.505.609**
Financial income		2.946.445	93.855
Financial expenses		-1.243.243	-2.593.426
Cash flows from operating activities		**-3.305.199**	**8.006.038**
Purchase of property, plant and equipment		-113.263	0
Sale of intangible assets		0	1.956
Deposits received		31.183	0
Cash flows from investing activities		**-82.080**	**1.956**
Repayment of payables to group enterprises		2.969.065	-8.287.863
Other adjustments		-254.527	-145.678
Cash flows from financing activities		**2.714.538**	**-8.433.541**
Change in cash and cash equivalents		**-672.741**	**-425.547**
Cash and cash equivalents at 1 January		711.117	1.136.664
Cash and cash equivalents at 31 December		**38.376**	**711.117**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		38.376	711.117
Cash and cash equivalents at 31 December		**38.376**	**711.117**

Notes to the Financial Statements

1 Going concern

As at 31 December 2019 the Company's equity is negative with USD 34.7 million, and due to the loss of more than 50% of the share capital the Company is subject to section 119 of the Danish Companies Act.

At the same time, the Group has an negative equity of USD 77.4 million as of 31 December 2019 and most of the Group's balance sheet items are receivables and payables to group enterprises. At the moment, the Group will not be able to repay its payables, and therefore the Group is dependent on the generation of sufficient liquidity in the Parent Company in the US.

The Group has had a significant decline in revenue since 2017 due to the loss of contracts with a large customer. During 2018 and 2019 the Group significantly reduced the operating expenses to bring them in line with revenue expectation going forward.

In May 2019 an agreement was signed between the Ultimate Parent Company and it's lenders that significantly reduced the debt of the Group via conversion to equity, and lowered the valuation of the Ultimate Parent Company to ease the raise of fresh capital.

As of the issuance date of these Financial Statements, the Ultimate Parent Company does not have adequate cash on hand or forecasted revenue to sustain its operations. Negotiations with the Group's current investors and potential new investors are being conducted about contribution of capital, making financing available for the continued operations of the Group. No binding capital or financing agreements have been entered into.

Management's expectation is that the cash position will come to fruition, which will allow the parent company to operate for the foreseeable future and resume negotiations with potential investors to complete an equity offering or bridge-funding. Management therefore submits and approve the annual report for 2019 on assumption of going concern. However, the above uncertainty in generating sufficient cash indicate that a material uncertainty exists, which may cast significant doubt on The Group's ability to continue as going concern.

2 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have a great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurring after the balance sheet date (31 December 2019), and therefore will not affect on the Financial Statements for 2019 (a nonadjusting event).

The changed operation may have a negative impact on the Company's revenue as well as net profit for 2020 however at this time, it is not possible to provide a reliable estimate of the impact.

Notes to the Financial Statements

		Group		Parent company	
		2019	2018	2019	2018
		USD	USD	USD	USD
3	**Staff expenses**				
	Wages and salaries	4.883.943	9.588.316	0	0
	Pensions	2.797	23.218	0	0
	Other social security expenses	34.956	66.109	0	0
	Other staff expenses	64.785	201.390	0	0
		4.986.481	**9.879.033**	**0**	**0**
	Including remuneration to the Executive Board	**203.935**			
	Average number of employees	**60**	**109**	**0**	**0**

		Parent company 2019	Parent company 2018
4	**Income from investments in subsidiaries**		
	Impairment	0	-61.500.000
	Reversal of prior year impairment	1.600.000	0
		1.600.000	**-61.500.000**

		Group 2019	Group 2018	Parent company 2019	Parent company 2018
5	**Financial income**				
	Interest received from group enterprises	38.162	93.117	0	150
	Other financial income	2.196.467	84	1.177	0
	Exchange adjustments, income	711.815	654	1.613	3.047
		2.946.444	**93.855**	**2.790**	**3.197**

		Group 2019	Group 2018	Parent company 2019	Parent company 2018
6	**Financial expenses**				
	Interest paid to group enterprises	1.218.202	2.218.892	648.130	1.086.767
	Other financial expenses	25.042	42.427	598	0
	Exchange adjustments, expenses	0	746.833	0	0
		1.243.244	**3.008.152**	**648.728**	**1.086.767**

	Group		Parent company	
	2019	2018	2019	2018
	USD	USD	USD	USD
7 Tax on profit/loss for the year				
Current tax for the year	-3.164	0	-40.050	0
Deferred tax for the year	0	12.417	0	0
Adjustment of tax concerning previous years	-39.789	0	12.103	0
	-42.953	**12.417**	**-27.947**	**0**

8 Intangible assets

Group

	Software
	USD
Cost at 1 January	337.548
Cost at 31 December	337.548
Impairment losses and amortisation at 1 January	217.694
Impairment losses for the year	92.096
Amortisation for the year	15.860
Impairment losses and amortisation at 31 December	325.650
Carrying amount at 31 December	**11.898**

Notes to the Financial Statements

9 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	781.260
Additions for the year	113.263
Cost at 31 December	894.523
Impairment losses and depreciation at 1 January	710.952
Depreciation for the year	80.736
Impairment losses and depreciation at 31 December	791.688
Carrying amount at 31 December	**102.835**

Notes to the Financial Statements

10 Investments in subsidiaries

	Parent company 2019	Parent company 2018
	USD	USD
Cost at 1 January	4.600.000	66.100.000
Cost at 31 December	4.600.000	66.100.000
Revaluations for the year, net	0	-61.500.000
Reversals for the year of revaluations in previous years	1.600.000	0
Value adjustments at 31 December	1.600.000	-61.500.000
Carrying amount at 31 December	**6.200.000**	**4.600.000**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Greenwave Systems Pte. Ltd	Singapore	USD 7.437	100%	-39.963.587	902.576
Greenwave Systems ApS	Copenhagen	USD 20.277	100%	3.402.891	159.434
Greenwave Systems Korea LTD	Korea	USD 0.00	100%	0	-145.848

11 Other fixed asset investments

	Group Other receivables
	USD
Cost at 1 January	55.949
Disposals for the year	-31.183
Cost at 31 December	24.766
Carrying amount at 31 December	**24.766**

Notes to the Financial Statements

12 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

13 Distribution of profit

	Parent company	
	2019	2018
	USD	USD
Retained earnings	874.793	-62.583.570
	874.793	**-62.583.570**

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Other payables				
After 5 years	62.049	0	0	0
Long-term part	62.049	0	0	0
Other short-term payables	394.358	1.136.440	0	3.940
	456.407	**1.136.440**	**0**	**3.940**

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

16 Cash flow statement - adjustments

	Group 2019 USD	Group 2018 USD
Financial income	-2.946.444	-93.855
Financial expenses	1.243.244	3.008.152
Depreciation, amortisation and impairment losses, including losses and gains on sales	188.692	205.955
Tax on profit/loss for the year	-42.953	12.417
	-1.557.461	**3.132.669**

17 Cash flow statement - change in working capital

	Group 2019 USD	Group 2018 USD
Change in receivables	-2.210.032	20.078.742
Change in trade payables, etc	-1.431.863	-1.014.185
	-3.641.895	**19.064.557**

18 Contingent assets, liabilities and other financial obligations

	Group 2019 USD	Group 2018 USD	Parent company 2019 USD	Parent company 2018 USD
Rental and lease obligations				
Lease obligations	287.988	96.325	0	0

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Greenwave Holdings Inc.	Ultimate Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

All transactions have been made on an arm's length basis.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Ultimate Parent Company

Name	Place of registered office
Greenwave Holdings Inc	Irvine, CA, USA

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Greenwave Denmark Holding ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2019 are presented in USD.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Greenwave Denmark Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Notes to the Financial Statements

20 Accounting Policies (continued)

Business combinations

Uniting of interests

Intragroup business combinations are accounted for under the uniting-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The uniting-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures.

Translation policies

US dollars is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Notes to the Financial Statements

20 Accounting Policies (continued)

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish Group Enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences and software are amortised over the licence period; however not exceeding 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

20 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

20 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$