BUUS JENSEN
Statsautoriserede
Revisorer

Chainalysis ApS

Strandgade 4, 5., 1401 Copenhagen

Company reg. no. 39 22 12 33

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 27 June 2022.

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Michael Peter Grønager
Chairman of the meeting

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RGD REVISORGRUPPEN DANMARK

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 statement

Today, the Managing Director has approved the annual report of Chainalysis ApS for the financial year 1 January - 31 December 2021.

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

I consider the chosen accounting policy to be appropriate, and in my opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in my opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 27 June 2022

Managing Director

Michael Peter Grønager

Independent auditor's report

To the Shareholders of Chainalysis ApS

Opinion

We have audited the financial statements of Chainalysis ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 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 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.

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.

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.

Independent auditor's report

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 Financial Statements Act.

Based on the work we have performed, we conclude that Management’s Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management’s Review.

Copenhagen, 27 June 2022

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

The company	Chainalysis ApS Strandgade 4, 5. 1401 Copenhagen	
	Company reg. no.	39 22 12 33
	Established:	1 January 2018
	Domicile:	Copenhagen
	Financial year:	1 January - 31 December
Managing Director	Michael Peter Grønager	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	

Management´s review

The principal activities of the company

The company´s activities consist of conducting business with development and sale of software for combating money laudering and digital currency fraud and other related activities.

Development in activities and financial matters

The gross profit for the year totals DKK 29.891.000 against DKK 23.621.000 last year. Income or loss from ordinary activities after tax totals DKK 1.249.000 against DKK 802.000 last year. Management considers the net profit or loss for the year satisfactory.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**29.890.535**	**23.621.364**
1	Staff costs	-28.321.100	-21.356.326
	Depreciation and impairment of property, land, and equipment	-378.014	-419.814
	Operating profit	**1.191.421**	**1.845.224**
	Other financial income	861.859	318
2	Other financial costs	-49.186	-807.688
	Pre-tax net profit or loss	**2.004.094**	**1.037.854**
3	Tax on net profit or loss for the year	-754.706	-236.105
	Net profit or loss for the year	**1.249.388**	**801.749**
	Proposed appropriation of net profit:		
	Transferred to retained earnings	1.249.388	801.749
	Total allocations and transfers	**1.249.388**	**801.749**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2021	2020
	Non-current assets		
4	Other fixtures and fittings, tools and equipment	960.908	608.209
	Total property, plant, and equipment	960.908	608.209
5	Deposits	1.085.347	516.261
	Total investments	1.085.347	516.261
	Total non-current assets	**2.046.255**	**1.124.470**
	Current assets		
	Trade receivables	252.784	133.826
	Receivables from group enterprises	8.134.237	4.924.642
	Other receivables	235.405	368.850
	Prepayments and accrued income	364.078	326.048
	Total receivables	8.986.504	5.753.366
	Cash on hand and demand deposits	1.938.271	6.774.643
	Total current assets	**10.924.775**	**12.528.009**
	Total assets	**12.971.030**	**13.652.479**

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities

Note		2021	2020
	Equity		
	Contributed capital	50.000	50.000
	Retained earnings	7.969.124	5.286.898
	Total equity	**8.019.124**	**5.336.898**
	Provisions		
	Provisions for deferred tax	29.000	38.294
	Total provisions	**29.000**	**38.294**
	Liabilities other than provisions		
	Bank loans	41.106	10.478
	Trade payables	1.912.992	1.277.064
	Payables to group enterprises	0	55.244
	Income tax payable	462.000	955.403
	Other payables	2.096.139	4.345.698
	Accruals and deferred income	410.669	1.633.400
	Total short term liabilities other than provisions	4.922.906	8.277.287
	Total liabilities other than provisions	**4.922.906**	**8.277.287**
	Total equity and liabilities	**12.971.030**	**13.652.479**
6	**Contingencies**		

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	50.000	4.485.149	4.535.149
Retained earnings for the year	0	801.749	801.749
Equity 1 January 2021	50.000	5.286.898	5.336.898
Retained earnings for the year	0	1.249.388	1.249.388
Exercise of share options	0	1.432.838	1.432.838
	50.000	**7.969.124**	**8.019.124**

Notes

All amounts in DKK.

		2021	2020
1.	**Staff costs**		
	Salaries and wages	27.426.944	20.775.696
	Pension costs	672.987	451.185
	Other costs for social security	221.169	129.445
		28.321.100	**21.356.326**
	Average number of employees	29	23

Chainalysis ApS is a subsidiary of Chainalysis Inc., USA. Chainalysis Inc. has issued stock options under their Incentive Compensation Plan to employees of Chainalysis ApS. The eligible employees of Chainalysis ApS are granted options to purchase common stock shares of Chainalysis Inc. Options and the option exercise price per share are approved by the Board of Directors of Chainalysis Inc. The options vest over a period of four years after the date granted. Options granted to employees are exercisable for a period up to ten years after the vesting of such options. The share-based remuneration is recognized in the income statement as salary costs when the options are exercised.

		2021	2020
2.	**Other financial costs**		
	Other financial costs	49.186	807.688
		49.186	**807.688**
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	764.000	293.370
	Adjustment of deferred tax for the year	-9.294	-57.265
		754.706	**236.105**

Notes

All amounts in DKK.

4. Other fixtures and fittings, tools and equipment

Cost 1 January 2021	1.330.252	1.227.212
Additions during the year	754.810	103.040
Disposals during the year	-24.098	0
Cost 31 December 2021	**2.060.964**	**1.330.252**
Depreciation and writedown 1 January 2021	-722.043	-302.229
Amortisation and depreciation for the year	-396.636	-419.814
Depreciation, amortisation and impairment loss for the year, assets disposed of	18.623	0
Depreciation and writedown 31 December 2021	**-1.100.056**	**-722.043**
Carrying amount, 31 December 2021	**960.908**	**608.209**

5. Deposits

Cost 1 January 2021	516.260	504.080
Additions during the year	569.087	12.181
Cost 31 December 2021	**1.085.347**	**516.261**
Carrying amount, 31 December 2021	**1.085.347**	**516.261**

6. Contingencies

Contingent liabilities

	DKK in thousands
Total contingent liabilities	939

Accounting policies

The annual report for Chainalysis ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Gross profit

Gross profit comprises the revenue, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for production, distribution, sales, advertising, administration, premises and loss on receivables.

Staff costs

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

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

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

The cost comprises acquisition cost and costs directly associated with 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, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of tangible fixed assets 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 for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

Investments

Deposits

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, 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. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.