

Concordium Research ApS

Amaliegade 4, 1256 København K

CVR no. 39 88 71 85

Annual report 2021

Approved at the Company's annual general meeting on 27 June 2022

Chair of the meeting:

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Jørgen Hauglund

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Concordium Research ApS for the financial year 1 January - 31 December 2021.

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

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 fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 27 June 2022

Executive Board:

Jørgen Hauglund

Independent auditor's report

To the shareholders of Concordium Research ApS

Opinion

We have audited the financial statements of Concordium Research ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 the 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 internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- ▶ 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 27 June 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Rasmus Berntsen
State Authorised Public Accountant
mne35461

Management's review

Company details

Name	Concordium Research ApS
Address, Postal code, City	Amaliegade 4, 1256 København K
CVR no.	39 88 71 85
Established	18 September 2018
Financial year	1 January - 31 December
Executive Board	Jørgen Hauglund
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The Company's principal activities consist in services within information technology consulting. The company's purpose is to develop and provide services within blockchain and cryptography for Concordium AG.

Financial review

The income statement for 2021 shows a profit of DKK 1,123,058 against a profit of DKK 750,368 last year, and the balance sheet at 31 December 2021 shows equity of DKK 2,206,545. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2021	2020
	Gross profit	18,077,290	13,815,986
2	Staff costs	-16,744,736	-12,741,669
	Depreciation of property, plant and equipment	-47,229	-27,753
	Profit before net financials	1,285,325	1,046,564
	Financial income	486,243	211,385
	Financial expenses	-329,361	-285,078
	Profit before tax	1,442,207	972,871
3	Tax for the year	-319,149	-222,503
	Profit for the year	1,123,058	750,368

Recommended appropriation of profit

Retained earnings	1,123,058	750,368
	1,123,058	750,368

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, other plant and equipment		121,661	24,373
		<u>121,661</u>	<u>24,373</u>
Investments			
Investments in group enterprises		40,000	0
Deposits		<u>200,969</u>	<u>159,297</u>
		<u>240,969</u>	<u>159,297</u>
Total fixed assets		<u>362,630</u>	<u>183,670</u>
Non-fixed assets			
Receivables			
Receivables from group entities		38,826,119	27,151,139
Deferred tax assets		<u>4,494</u>	<u>4,523</u>
Other receivables		<u>1,850,891</u>	<u>357,927</u>
		<u>40,681,504</u>	<u>27,513,589</u>
Cash		<u>27,611,178</u>	<u>871,737</u>
Total non-fixed assets		<u>68,292,682</u>	<u>28,385,326</u>
TOTAL ASSETS		<u>68,655,312</u>	<u>28,568,996</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital		50,000	50,000
Retained earnings		2,156,545	1,033,487
Total equity		<u>2,206,545</u>	<u>1,083,487</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,215,562	343,095
Payables to group entities		64,154,867	24,352,832
Corporation tax payable		47,564	236,317
Joint taxation contribution payable		7,566	0
Other payables		1,023,208	2,553,265
		<u>66,448,767</u>	<u>27,485,509</u>
Total liabilities other than provisions		<u>66,448,767</u>	<u>27,485,509</u>
TOTAL EQUITY AND LIABILITIES		<u>68,655,312</u>	<u>28,568,996</u>

- 1 Accounting policies
- 4 Contractual obligations and contingencies, etc.

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2021	50,000	1,033,487	1,083,487
Transfer through appropriation of profit	0	1,123,058	1,123,058
Equity at 31 December 2021	50,000	2,156,545	2,206,545

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Concordium Research ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(2) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the rendering of services, which comprise redemption of costs in accordance with the transfer pricing agreement, is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

The items revenue and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to travel, advertising, administration, premises, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
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Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as exchange rate gains and losses.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost, which includes the cost of acquisition calculated at fair value plus direct costs of acquisition. If there is evidence of impairment, an impairment test is conducted. Where the carrying amount exceeds the recoverable amount, a write-down is made to such lower value.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

	DKK	2021	2020
2 Staff costs			
Wages/salaries	15,559,506	12,167,434	
Pensions	1,016,500	252,000	
Other social security costs	84,536	254,200	
Other staff costs	84,194	68,035	
	16,744,736	12,741,669	
Average number of full-time employees	20	13	
	20	13	
3 Tax for the year			
Estimated tax charge for the year	319,130	226,367	
Deferred tax adjustments in the year	29	-2,811	
Tax adjustments, prior years	-10	-1,053	
	319,149	222,503	

The estimated tax charge for the year includes joint taxation contribution payable of DKK 7,566.

4 Contractual obligations and contingencies, etc.

Other contingent liabilities

Operating lease commitments	1,055,000	319,000
	1,055,000	319,000

Operating lease commitments relates to the notice period of the rental commercial property agreement which fall due within 6 months.

As management company, the Company is jointly taxed with Concordium Software ApS and is jointly and severally liable for income year 2021 onwards for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jørgen Hauglund

Executive Board

On behalf of: Concordium Research ApS

Serial number: PID:9208-2002-2-916068212031

IP: 92.62.xxx.xxx

2022-06-28 11:52:50 UTC

NEM ID 

Jørgen Hauglund

Chairman

On behalf of: Concordium Research ApS

Serial number: PID:9208-2002-2-916068212031

IP: 92.62.xxx.xxx

2022-06-28 11:52:50 UTC

NEM ID 

Rasmus Berntsen

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: CVR:30700228-RID:13204848

IP: 145.62.xxx.xxx

2022-06-28 11:53:56 UTC

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