

Chainalysis ApS

Strandgade 4, 5., 1401 Copenhagen

Company reg. no. 39 22 12 33

Annual report

1 February 2022 - 31 January 2023

The annual report was submitted and approved by the general meeting on the 19 July 2023.

Michael Peter Grønager
Chairman of the meeting

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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 February 2022 - 31 January 2023.

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 January 2023 and of the results of the Company's operations for the financial year 1 February 2022 – 31 January 2023.

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, 19 July 2023

Managing Director

Michael Peter Grønager

Independent auditor's report

To the Shareholder of Chainalysis ApS

Opinion

We have audited the financial statements of Chainalysis ApS for the financial year 1 February 2022 - 31 January 2023, 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 January 2023, and of the results of the Company's operations for the financial year 1 February 2022 - 31 January 2023 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.

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:

Independent auditor's report

- 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.

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.

Independent auditor's report

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, 19 July 2023

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 February - 31 January

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 laundering and digital currency fraud and other related activities.

Development in activities and financial matters

The gross profit for the year totals DKK 82.562.000 against DKK 4.277.000 last year. Income or loss from ordinary activities after tax totals DKK 4.244.000 against DKK 435.000 last year. Management considers the net profit or loss for the year satisfactory.

Income statement

All amounts in DKK.

<u>Note</u>	1/2 2022 - 31/1 2023	1/1 2022 - 31/1 2022
Gross profit	82.561.591	4.277.291
1 Staff costs	-72.694.863	-3.625.313
Depreciation and impairment of property, land, and equipment	-732.529	-43.360
Operating profit	9.134.199	608.618
Other financial income	58	0
2 Other financial costs	-630.127	-69.960
Pre-tax net profit or loss	8.504.130	538.658
3 Tax on net profit or loss for the year	-4.260.181	-103.417
Net profit or loss for the year	4.243.949	435.241
Proposed distribution of net profit:		
Transferred to retained earnings	4.243.949	435.241
Total allocations and transfers	4.243.949	435.241

Balance sheet at 31 January

All amounts in DKK.

Assets			
<u>Note</u>		<u>2023</u>	<u>2022</u>
Non-current assets			
4	Other fixtures and fittings, tools and equipment	3.731.201	1.019.437
	Total property, plant, and equipment	3.731.201	1.019.437
	Deposits	3.765.590	2.528.449
	Total investments	3.765.590	2.528.449
	Total non-current assets	7.496.791	3.547.886
Current assets			
	Trade receivables	3.132.776	2.429.702
	Receivables from group enterprises	13.443.832	5.051.387
	Deferred tax assets	165.000	0
	Other receivables	234.821	260.049
	Prepayments and accrued income	3.025.337	356.580
	Total receivables	20.001.766	8.097.718
	Cash on hand and demand deposits	10.905.592	4.034.670
	Total current assets	30.907.358	12.132.388
	Total assets	38.404.149	15.680.274

Balance sheet at 31 January

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2023</u>	<u>2022</u>
Equity			
	Contributed capital	50.000	50.000
	Retained earnings	12.803.785	8.559.836
	Total equity	12.853.785	8.609.836
Provisions			
	Provisions for deferred tax	0	56.268
	Total provisions	0	56.268
Liabilities other than provisions			
	Lease liabilities	1.505.742	0
5	Total long term liabilities other than provisions	1.505.742	0
5	Current portion of long term liabilities	672.062	0
	Bank loans	448.463	63.657
	Trade payables	6.631.663	1.963.474
	Income tax payable	4.135.700	582.000
	Other payables	8.186.855	2.063.336
	Accruals and deferred income	3.969.879	2.341.703
	Total short term liabilities other than provisions	24.044.622	7.014.170
	Total liabilities other than provisions	25.550.364	7.014.170
	Total equity and liabilities	38.404.149	15.680.274

6 Contingencies

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	50.000	7.969.124	8.019.124
Correction due to changes in accounting policies for share-based payment	0	155.471	155.471
Retained earnings for the year	0	435.241	435.241
Equity 1 February 2022	50.000	8.559.836	8.609.836
Retained earnings for the year	0	4.243.949	4.243.949
	50.000	12.803.785	12.853.785

Notes

All amounts in DKK.

	1/2 2022 - 31/1 2023	1/1 2022 - 31/1 2022		
1. Staff costs				
Salaries and wages	70.486.536	3.522.071		
Pension costs	2.019.776	93.592		
Other costs for social security	188.551	9.650		
	72.694.863	3.625.313		
Average number of employees	51	30		
2. Other financial costs				
Other financial costs	630.127	69.960		
	630.127	69.960		
3. Tax on net profit or loss for the year				
Tax on net profit or loss for the year	4.265.700	120.000		
Adjustment of deferred tax for the year	-221.268	-16.583		
Adjustment of tax for previous years	215.749	0		
	4.260.181	103.417		
4. Other fixtures and fittings, tools and equipment				
Of the carrying amount, DKK 3.731.000, lease assets are recognised at a carrying amount of DKK 2.090.000.				
5. Long term liabilities other than provisions				
	Total payables 31 Jan 2023	Current portion of long term payables	Long term payables 31 Jan 2023	Outstanding payables after 5 years
Lease liabilities	2.177.804	672.062	1.505.742	0
	2.177.804	672.062	1.505.742	0
6. Contingencies				
Contingent liabilities				
				DKK in thousands
Total contingent liabilities				970

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.

Changes in the accounting policies

- IFRS 15 is used as basis for interpretation when recognising net revenue
- IFRS 16 is used as basis for interpretation when classifying and recognising net leasing contracts
- Share-based payment is recognized in the income statement as salary costs over the vesting period instead of when the options are exercised

Consequences arising from the change in accounting policies are described below.

Change in accounting policies for revenue

The enterprise has chosen to apply IFRS 15 as the basis for interpretation in relation to recognition of revenue.

The enterprise will be applying the standard retrospectively until the beginning of the current period with the accumulative effect of the initial application being recognised in equity opening balance, 2022/23 (modified retrospective application). Comparative figures for 2021/22 have not been adjusted and will, as previously, be presented according to IAS 11 and IAS 18. The accounting policies for the current year and the comparative figures are presented in two separate sections.

As the change in policies is implemented without any adjustment of comparative figures, the monetary effect of the changes in accounting policies for 2021/22 is unchanged.

Change of accounting policies for leases

The enterprise has chosen to apply IFRS 16 as the basis for interpretation in relation to the classification and recognition of leases.

The enterprise will be applying the standard retrospectively until the beginning of the current period with the accumulative effect of the initial application being recognised in equity opening balance, 2022/23 (modified retrospective application). Thus, the comparative figures for 2019 have not been adjusted and will, as previously, be presented according to IAS 17. The accounting policies for the current year and the comparative figures are presented in two separate sections.

IFRS 16 no longer differentiates between operating and finance leases. Unlike previously, all leases are, with a few exceptions, recognised in the statement of financial position. Thus, as from 1 February 2022, earlier operating leases are recognised in the opening balance.

Lease liabilities are recognised at a value corresponding to the present value of the remaining lease payments, discounted by the enterprise's marginal borrowing rate for the relevant asset types at 1 February 2022. Right-of-use assets are recognised at a value corresponding to the imputed lease liability adjusted for prepayments.

Accounting policies

For earlier finance leases, measurement of the carrying amount of the right-of-use asset corresponds to the earlier carrying amount of the asset at 31 January 2022. Similarly, the lease is measured at the earlier carrying amount of the lease liability at 31 January 2022.

On the date of transition, no updated assessment of leases entered into prior to 1 February 2022 has been made. Contracts satisfying the lease definition according to the old definition under IAS 17 are retained as leases according to IFRS 16.

On the application of IFRS 16 and the modified retrospective application, the enterprise will be using the following practical dispensation for rights-of-use assets formerly classified as operating leases:

- Applying a single discount rate to a group of leased assets with identical characteristics
- Omitting the recognition of a right-of-use asset for leases where the lease term expires within twelve months of the date of transition
- Omitting to recognise direct start-up costs when measuring the right-of-use asset at 1 February 2022

As the change in policies is implemented without any adjustment of comparative figures, the monetary effect of the changes in accounting policies for 2021/22 is unchanged.

Changes in accounting policies for recognition of share-based payment

For 2022/23 and forward, the company will recognize share-based payment in the income statement as salary costs over the vesting period instead of when the options are exercised.

As a result of the change in accounting policies, the intercompany services income has been updated in agreement with the Transfer Pricing policy for the Chainalysis Group.

Comparative figures for 2021/22 have been adjusted.

The results for 2021/22 is positively effected by DKK 16.000, assets in total is increased with 215.000 DKK, and the equity is increased by DKK 168.000.

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.

Accounting policies

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.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Share-based payment

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 over the vesting period, and the corresponding entry is in liabilities.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

The enterprise will be applying IFRS 15 as its basis of interpretation for the recognition of revenue.

The revenue is recognised when the control of the identifiable individual performance obligations has been performed in respect of the customer whereby the customer gains control of the asset or the service. Sales remunerations are allocated proportionally to the individual performance obligations in the agreement.

Accounting policies

Revenue from service contracts is recognised on a linear basis over the period during which the service is performed.

Revenue is measured at fair value of agreed remunerations, less VAT and expenses. All forms of discount are recognised in revenue.

Revenue from contracts, including variable considerations such as quantity discounts and performance-related payments are recognised at the most probable consideration value. Revenue is not recognised until it is deemed most likely that changes in the estimated variable consideration will not subsequently result in the reversal of a material part of the amount, thus reducing revenue.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

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, share-based payments, pensions, and other social security costs, etc., for staff members.

Share-based payments are granted as part of the long-term incentive programme.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

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.

Accounting policies

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 under depreciation.

Right-of-use assets

The enterprise will be applying IFRS 16 as its basis of interpretation for the recognition of classification and recognition of leases.

Leases pertaining to property, plant, and equipment for which the enterprise has the right-of-use are recognised in the statement of financial position as right-of-use assets. The assets are, at initial recognition, measured at imputed cost, consisting of:

- The imputed lease liability
- Any lease payments paid prior to – or on – the starting date, less any lease incentives received
- Any direct start-up costs
- Any restoring costs

Accounting policies

Hereafter, recognised leased assets are treated like the enterprise's remaining property, plant, and equipment.

Lease liabilities are recognised in the statement of financial position as liabilities other than provision and are measured, at initial recognition, at the present value of lease payments payable over the lease term. This includes a purchase option in the event that the enterprise expects to purchase the right-of-use asset. When determining the present value, the internal rate of return or, alternatively, the enterprise's borrowing rate is applied as discount rate.

Hereafter, the lease liability is treated like the remaining financial liabilities, i.e. at amortised cost.

The interest element of the lease payments is recognised in the income statement over the contractual term.

The following leases are not recognised as assets and liabilities in the statement of financial position:

- Leases with a duration of twelve months or less (short leases)
- Leases where the replacement value of the asset is less than DKK 30,000. (low-value assets)

For such leases, the lease payment is recognised in the income statement as an expense on a linear basis over the lease term.

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 face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

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

Accounting policies

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

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

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.