

XCI Holding A/S

Niels Jernes Vej 6, Indgang C., 9220 Aalborg Øst
CVR no. 39 13 54 34

Annual report for 2024

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 18.03.25

Mads Peter Lübeck
Dirigent

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The company

XCI Holding A/S
Niels Jernes Vej 6, Indgang C.
9220 Aalborg Øst
Registered office: Aalborg Øst
CVR no.: 39 13 54 34
Financial year: 01.01 - 31.12

Executive Board

Tue From Hermansen

Board of Directors

Mads Peter Lübeck
Jesper Andersen
Jørn Larsen
Mads Wiederholdt Jensen
Anders Christian Schelde

Auditors

Beierholm
Godkendt Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.24 - 31.12.24 for XCI Holding A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.24 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.24 - 31.12.24.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Aalborg Øst, March 12, 2025

Executive Board

Tue From Hermansen

Board of Directors

Mads Peter Lübeck
Chairman

Jesper Andersen

Jørn Larsen

Mads Wiederholdt Jensen

Anders Christian Schelde

To the shareholder of XCI Holding A/S**Opinion**

We have audited the consolidated financial statements and financial statements of XCI Holding A/S for the financial year 01.01.24 - 31.12.24, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including material accounting policy information for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.24 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 01.01.24 - 31.12.24 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 consolidated financial statements and financial statements" section of our report. We are independent of the group and 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 consolidated financial statements and financial statements

Management is responsible for the preparation of consolidated financial statements and 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 consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 consolidated financial statements and 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 consolidated financial statements and 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 consolidated financial statements and financial statements, including the disclosures, and whether the consolidated financial state-

ments and financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for expressing an opinion on the consolidated financial statements and financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and 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 consolidated financial statements and financial statements, it is our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 by law and regulations.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Aarhus, March 12, 2025

Beierholm

Godkendt Revisionspartnerselskab
CVR no. 32 89 54 68

Carsten Andersen

State Authorised Public Accountant
MNE-no. mne27703

GROUPS FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000 2024 2023

Profit/loss

Operating profit/loss	66,044	35,814
Total net financials	997	433
Profit for the year	52,171	28,655

Balance

Total assets	181,436	143,066
Investments in property, plant and equipment	3,140	2,590
Equity	94,657	60,486

Ratios

2024 2023

Equity ratio

Solvency ratio	52%	42%
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Ratios definitions

Solvency ratio:
$$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$$

Primary activities

As in previous years, the group's main activities are to develop products that help organizations investigate cyber crime

Development in activities and financial affairs

The income statement for the period 01.01.24 - 31.12.24 shows a profit of DKK 52,171,041 against DKK 28,654,903 for the period 01.01.23 - 31.12.23. The balance sheet shows equity of DKK 94,656,631.

The expectations to earnings for 2024 were a net profit of DKK 27,244,000. The result was better than expected in the budget, due to an increase in revenue driven by increase in customer demand. The management considers the net profit for the year to be satisfactory.

Outlook

XCI expects a profit before tax in the range of mDKK 55-70 for the financial year 2025. XCI will keep building momentum in sales and marketing activities matched by continued investments in product development to support this momentum

Research and development activities

The company's continued investments in development of the software platform as well as new features ensure XCI's continued value creation for customers and competitiveness in the market.

A total of mDKK 30,7 was invested in development activities in the financial year. In 2025, development activities are expected to increase due to expected increase in development capacity..

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note	Group		Parent	
	2024 DKK	2023 DKK	2024 DKK	2023 DKK
	134,136,277	81,858,665	-1,493,352	-6,626
	Gross result			
1	Staff costs	-46,244,836	-29,585,498	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	87,891,441	52,273,167	-1,493,352
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-21,847,554	-16,429,262	0
	Other operating expenses	0	-30,286	0
	Operating profit/loss	66,043,887	35,813,619	-1,493,352
2	Income from equity investments in group enterprises	0	0	53,632,920
	Financial income	1,652,813	563,408	133,580
3	Financial expenses	-655,565	-130,473	-99,717
	Profit before tax	67,041,135	36,246,554	52,173,431
	Tax on profit for the year	-14,870,094	-7,591,651	-2,390
	Profit for the year	52,171,041	28,654,903	52,171,041
4	Proposed appropriation account			28,654,903

ASSETS		Group		Parent	
		31.12.24 DKK	31.12.23 DKK	31.12.24 DKK	31.12.23 DKK
Note					
	Completed development projects	26,978,327	20,503,296	0	0
	Acquired rights	3,011,576	824,517	0	0
	Development projects in progress	15,099,024	11,952,704	0	0
5	Total intangible assets	45,088,927	33,280,517	0	0
	Other fixtures and fittings, tools and equipment	4,785,843	4,631,417	0	0
6	Total property, plant and equipment	4,785,843	4,631,417	0	0
7	Equity investments in group enterprises	0	0	89,384,167	60,751,247
8	Deposits	937,453	809,473	0	0
	Total investments	937,453	809,473	89,384,167	60,751,247
	Total non-current assets	50,812,223	38,721,407	89,384,167	60,751,247
	Trade receivables	29,388,804	24,045,844	0	0
	Income tax receivable	688,121	0	0	269,966
	Other receivables	24,551	200,000	5,500	200,000
	Prepayments	1,111,060	775,636	0	0
	Total receivables	31,212,536	25,021,480	5,500	469,966
	Cash	99,411,085	79,323,139	7,375,854	4,094,159
	Total current assets	130,623,621	104,344,619	7,381,354	4,564,125
	Total assets	181,435,844	143,066,026	96,765,521	65,315,372

EQUITY AND LIABILITIES		Group		Parent	
		31.12.24 DKK	31.12.23 DKK	31.12.24 DKK	31.12.23 DKK
Note					
9	Contributed capital	2,250,000	2,250,000	2,250,000	2,250,000
	Reserve for net revaluation according to the equity method	0	0	70,034,167	31,251,247
	Reserve for development costs	32,820,336	25,315,681	0	0
	Foreign currency translation reserve	-76	0	0	0
	Retained earnings	44,736,371	23,919,910	7,522,464	17,984,343
	Proposed dividend for the financial year	14,850,000	9,000,000	14,850,000	9,000,000
	Total equity	94,656,631	60,485,591	94,656,631	60,485,590
10	Provisions for deferred tax	9,570,359	7,087,884	0	0
	Total provisions	9,570,359	7,087,884	0	0
	Deferred income	13,626,794	5,304,970	0	0
	Total long-term payables	13,626,794	5,304,970	0	0
	Payables to other credit institutions	194,136	232,106	0	0
	Trade payables	2,543,487	1,681,966	1,490,853	5,000
	Payables to group enterprises	0	0	615,647	4,824,782
	Income taxes	0	5,550,464	2,390	0
	Other payables	9,965,219	13,197,351	0	0
	Deferred income	50,879,218	49,525,694	0	0
	Total short-term payables	63,582,060	70,187,581	2,108,890	4,829,782
	Total payables	77,208,854	75,492,551	2,108,890	4,829,782
	Total equity and liabilities	181,435,844	143,066,026	96,765,521	65,315,372

11 Contingent liabilities

12 Charges and security

Statement of changes in equity

Figures in DKK	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Foreign currency translation reserve	Retained earnings	Proposed dividend for the financial year	Total equity
Group:							
Statement of changes in equity for 01.01.23 - 31.12.23							
Balance as at 01.01.23	2,250,000	0	19,368,771	0	17,984,342	0	39,603,113
Extraordinary dividend paid	0	0	0	0	-4,950,000	0	-4,950,000
Other changes in equity	0	0	5,946,910	0	-5,946,910	0	0
Transfers to/from other reserves	0	0	0	0	-2,822,425	0	-2,822,425
Net profit/loss for the year	0	0	0	0	19,654,903	9,000,000	28,654,903
Balance as at 31.12.23	2,250,000	0	25,315,681	0	23,919,910	9,000,000	60,485,591
Statement of changes in equity for 01.01.24 - 31.12.24							
Balance as at 01.01.24	2,250,000	0	25,315,681	0	23,919,910	9,000,000	60,485,591
Extraordinary dividend paid	0	0	0	0	-9,000,000	0	-9,000,000
Dividend paid	0	0	0	0	0	-9,000,000	-9,000,000
Other changes in equity	0	0	7,504,655	0	-7,504,655	0	0
Transfers to/from other reserves	0	0	0	-76	75	0	-1
Net profit/loss for the year	0	0	0	0	37,321,041	14,850,000	52,171,041
Balance as at 31.12.24	2,250,000	0	32,820,336	-76	44,736,371	14,850,000	94,656,631
Parent:							
Statement of changes in equity for 01.01.23 - 31.12.23							
Balance as at 01.01.23	2,250,000	32,475,470	0	0	2,055,217	0	36,780,687
Distributed dividend from group enterprises	0	-25,000,000	0	0	25,000,000	0	0
Extraordinary dividend paid	0	0	0	0	-4,950,000	0	-4,950,000
Net profit/loss for the year	0	23,775,777	0	0	-4,120,874	9,000,000	28,654,903
Balance as at 31.12.23	2,250,000	31,251,247	0	0	17,984,343	9,000,000	60,485,590
Statement of changes in equity for 01.01.24 - 31.12.24							
Balance as at 01.01.24	2,250,000	31,251,247	0	0	17,984,343	9,000,000	60,485,590
Distributed dividend from group enterprises	0	-14,850,000	0	0	14,850,000	0	0
Extraordinary dividend paid	0	0	0	0	-9,000,000	0	-9,000,000
Dividend paid	0	0	0	0	0	-9,000,000	-9,000,000
Net profit/loss for the year	0	53,632,920	0	0	-16,311,879	14,850,000	52,171,041
Balance as at 31.12.24	2,250,000	70,034,167	0	0	7,522,464	14,850,000	94,656,631

Consolidated cash flow statement

Note	Group	
	2024 DKK	2023 DKK
	52,171,041	28,654,903
Profit for the year		
13 Adjustments	35,720,404	23,486,563
Change in working capital:		
Receivables	-5,630,915	-18,034,822
Trade payables	861,519	545,684
Other payables relating to operating activities	6,443,216	32,339,615
Cash flows from operating activities before net financials	89,565,265	66,991,943
Interest income and similar income received	1,652,813	563,408
Interest expenses and similar expenses paid	-655,565	-29,058
Income tax paid	-18,626,204	575,210
Cash flows from operating activities	71,936,309	68,101,503
Purchase of intangible assets	-30,670,548	-22,877,456
Purchase of property, plant and equipment	-3,139,845	-2,551,445
Sale of property, plant and equipment	0	112,585
Cash flows from investing activities	-33,810,393	-25,316,316
Dividend paid	-18,000,000	-4,950,000
Repayment of payables to credit institutions	-37,970	0
Repayment of other long-term payables	0	232,106
Cash flows from financing activities	-18,037,970	-4,717,894
Total cash flows for the year	20,087,946	38,067,293
Cash, beginning of year	79,323,139	41,255,846
Cash, end of year	99,411,085	79,323,139
Cash, end of year, comprises:		
Cash	99,411,085	79,323,139
Total	99,411,085	79,323,139

	Group		Parent	
	2024 DKK	2023 DKK	2024 DKK	2023 DKK
1. Staff costs				
Wages and salaries	35,394,709	21,893,321	0	0
Pensions	6,351,426	4,426,247	0	0
Other social security costs	756,981	421,752	0	0
Other staff costs	3,741,720	2,844,178	0	0
Total	46,244,836	29,585,498	0	0

Average number of employees during the year	81	55	0	0
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	6,978,715	5,459,269	139,574	54,593
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With reference to section 98b(3) no. 1 of the Danish Financial Statements Act, remuneration for the Executive Board and Board of Directors are summarized for 2024 and 2023, as information would otherwise lead to amounts being shown for a single member of management.

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	53,632,920	28,725,777
Total	0	0	53,632,920	28,725,777

	Group		Parent	
	2024 DKK	2023 DKK	2024 DKK	2023 DKK
3. Financial expenses				
Interest, group enterprises	0	0	95,217	84,131
Other interest expenses	49,716	29,058	4,500	3,375
Foreign currency translation adjustments	540,083	101,415	0	0
Other financial expenses	65,766	0	0	0
Other financial expenses	655,565	130,473	4,500	3,375
Total	655,565	130,473	99,717	87,506

4. Proposed appropriation account

Reserve for net revaluation according to the equity method	0	0	53,632,920	23,775,777
Extraordinary dividend for the financial year	9,000,000	4,950,000	9,000,000	4,950,000
Proposed dividend for the financial year	14,850,000	9,000,000	14,850,000	9,000,000
Retained earnings	28,321,041	14,704,903	-25,311,879	-9,070,874
Total	52,171,041	28,654,903	52,171,041	28,654,903

5. Intangible assets

Figures in DKK	Completed development projects	Acquired rights	Development projects in progress
Group:			
Cost as at 01.01.24	55,813,433	824,517	11,952,703
Additions during the year	12,701,654	2,869,870	15,099,024
Transfers during the year to/from other items	11,952,703	0	-11,952,703
Cost as at 31.12.24	80,467,790	3,694,387	15,099,024
Amortisation and impairment losses as at 01.01.24	-35,310,137	0	0
Amortisation during the year	-18,179,326	-682,811	0
Amortisation and impairment losses as at 31.12.24	-53,489,463	-682,811	0
Carrying amount as at 31.12.24	26,978,327	3,011,576	15,099,024

Development projects relate to the development of products within the Company's core business. The projects are progressing according to plan through the use of resources allocated by Management to the development. Prior to the launching of the projects the company has assessed that there is a need in the market for the projects.

6. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Group:	
Cost as at 01.01.24	7,431,353
Additions during the year	3,139,845
Cost as at 31.12.24	10,571,198
Depreciation and impairment losses as at 01.01.24	-2,799,938
Depreciation during the year	-2,985,417
Depreciation and impairment losses as at 31.12.24	-5,785,355
Carrying amount as at 31.12.24	4,785,843

7. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Parent:	
Cost as at 01.01.24	4,500,000
Cost as at 31.12.24	4,500,000
Revaluations as at 01.01.24	56,251,247
Net profit/loss from equity investments	53,632,920
Dividend relating to equity investments	-25,000,000
Revaluations as at 31.12.24	84,884,167
Carrying amount as at 31.12.24	89,384,167
Subsidiaries:	
Name and registered office:	Ownership interest
XCI A/S, Aalborg	100%

8. Other non-current financial assets

Figures in DKK	Deposits
Group:	
Cost as at 01.01.24	937,453
Cost as at 31.12.24	937,453
Carrying amount as at 31.12.24	937,453

9. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	2,250,000	2,250,000
Total		2,250,000

	Group		Parent	
	31.12.24 DKK	31.12.23 DKK	31.12.24 DKK	31.12.23 DKK

10. Deferred tax

Deferred tax recognised in the income statement	9,570,359	7,087,884	0	0
Deferred tax as at 31.12.24	9,570,359	7,087,884	0	0

11. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of 2-26 months and total lease payments of 1,778k.

Guarantee commitments

The group has provided a guarantee of EUR 3,504K as a payment guarantee to a customer.

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

12. Charges and security

Group:

As a security for payment guarantee from credit institutions, a company charge of DKK 4,000k and DKK 6,736k has been provided from the company. As at 31.12.24, the company charge comprises the following carrying amount:

- Other plant, fixtures and fittings, tools and equipment, DKK 4.786k
- Inventories, DKK 0k
- Trade receivables, DKK 29,389k

13. Adjustments for the cash flow statement

Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	21,847,554	16,429,262
Financial income	-1,652,813	-563,408
Financial expenses	655,569	29,058
Tax on profit or loss for the year	14,870,094	7,591,651
Total	35,720,404	23,486,563

14. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

CURRENCY

The annual report is presented in Danish kroner (DKK).

14. Accounting policies - continued -

On recognition of independent foreign entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

Translation adjustments of intercompany balances with independent foreign entities, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity under the foreign currency translation reserve. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Gross result**

Gross result comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

14. Accounting policies - continued -**Cost of sales**

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Completed development projects	3	0
Acquired rights	3	0
Other plant, fixtures and fittings, tools and equipment	2-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

14. Accounting policies - continued -**Income from equity investments in group enterprises**

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET**Intangible assets***Completed development projects and development projects in progress*

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the

14. Accounting policies - continued -

year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

14. Accounting policies - continued -**Equity investments in group enterprises**

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments. However, transaction costs on the acquisition of subsidiaries are recognised in the income statement in the consolidated financial statements at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

14. Accounting policies - continued -**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

An amount equivalent to internally generated development costs in the balance sheet is recognised in the financial statements of the parent in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

14. Accounting policies - continued -

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

14. Accounting policies - continued -

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.