

NORDUnet A/S

Kastruplundgade 22, 1.

2770 Kastrup

Central Business Registration No

17490346

Annual report 2016

The Annual General Meeting adopted the annual report on 21.03.2017

Chairman of the General Meeting

Name: Troels Rasmussen

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Entity details

Entity

NORDUnet A/S
Kastruplundgade 22, 1.
2770 Kastrup

Central Business Registration No: 17490346

Registered in: Tårnby

Financial year: 01.01.2016 - 31.12.2016

Phone: +4532462500

Website: www.nordu.net

Board of Directors

Maria Sofia Häll
Sæthor Lindal Jonsson
Petter Kongshaug
Steen Pedersen
Janne Antero Kanner

Executive Board

René Buch

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of NORDUnet A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kastrup, 21.03.2017

Executive Board

René Buch

Board of Directors

Maria Sofia Häll

Sæthor Lindal Jonsson

Petter Kongshaug

Steen Pedersen

Janne Antero Kanner

Independent auditor's report

To the shareholders of NORDUnet A/S

Opinion

We have audited the financial statements of NORDUnet A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Copenhagen, 21.03.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Claus Jorch Andersen
State Authorised Public Accountant

Nikolaj Erik Johnsen
State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial highlights					
Key figures					
Revenue	18.281	18.008	16.056	15.133	14.872
Gross profit/loss	6.631	7.107	5.717	5.195	5.782
Operating profit/loss	392	1.312	313	60	272
Net financials	(284)	(310)	(43)	(126)	(177)
Profit/loss for the year	137	765	206	(132)	70
Total assets	15.501	16.180	11.140	7.816	9.165
Investments in property, plant and equipment	1.286	1.340	4.712	481	2.801
Equity	2.812	2.665	1.905	1.695	1.848
Ratios					
Return on equity (%)	5,0	28,7	11,4	(7,5)	3,9
Equity ratio (%)	18,1	16,5	17,1	21,7	20,2

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary business activity of the Company is to operate the NORDUnet network offering network services to research networks in the Nordic countries.

Development in activities and finances Business review

The Company's income statement for 2016 shows revenue of EUR 18.280.997 - which is EUR 553.016 higher than the budget resulting in a net surplus of EUR 137.085 - and a balance sheet that at 31 December 2016 shows a shareholders' equity of EUR 2.811.895.

It was budgeted with a deficit of EUR 230.883 - However the Year 2016 ended with a surplus of EUR 137.085 - which is EUR 367.888 - better than budgeted due to two main factors:

- Greater than anticipated EC Funding reimbursement for GN4
- Delayed investments of ip equipment due to negotiations with vendor
- Currency exchange differences.

The NORDUnet Finance department have a solid Finance and Administration structure that is capable of supporting the service offerings and network infrastructure in the future with sufficient capacity to engage in influencing the Finance models for international collaborations in addition to continue to improve NORDUnet Financial tool box.

General remarks

NORDUnet's operational organisation has performed very well during 2016 with clear focus on structure, documentation and user satisfaction. NUNOC's capability to meet the increasing needs of the users have been strengthened substantially in 2016.

The European activities of NORDUnet have been maintained at its high level during 2016 and the involvement in the Global NREN community and Global Collaboration have expanded significantly with a high focus on the GLOBAL CEO Forum working groups including significant contributions to the <https://inthefieldstories.net/> website, the Global Network Architecture work <https://gna-re.net> the knowledge exchange programme and a number of other global centric working groups..

The NORDUnet participation in the initial year of the GEANT 4 project both as a direct contributor and as coordinator of Nordic participation has maintained Nordic participation at the same high level as the GEANT 3+ project both within management and staff. NORDUnet plays an active role both in the governance of the GEANT association and the preparation of the second part of the GEANT 4 project. Nordic staff members contribute significantly both within managerial and technical skills.

The participation in the Global NREN CEO forum is a clear evidence that Nordic collaboration and a joint Nordic approach to the extra Nordic community have significant benefits in terms of influence as no individual Nordic NREN would be considered of a size that would lead to be seen as a significant global partner.

Nordic Collaboration

Facilitating and coordinating Nordic collaboration both in the Nordic and internationally is an important objective for NORDUnet. A number of groups have been established to foster discussions on common issues, exchanging information and coordination of Nordic efforts and opinions:

Within the technical field this is done through The Nordic CTO Forum.

Within Video conferencing, lecture capturing and streaming this is done through Nordic Media Group.

Further focus areas for Nordic Collaborations is being identified and groups within these areas will be established when needed.

Management commentary

Nordic Network Operation

NUNOC – the NORDUnet operational organization has continued to expand its offerings in 2016 with a number of new services to the associated organisations especially within the field of Security Services that is expected to be an area of increasing importance in the future.

The Nordic optical backbone network has in 2016 operated with an availability of 100% for all redundant connected services

The global transit links and the GEANT connectivity has operated at 100 % availability and for the first time in several years NORDUnet have seen an increase in traffic to GEANT from 10 Gbit/sec. to 24 Gbits/sec.

The peak traffic from the Nordic NREN's have on several occasions passed the 170 Gbit/sec mark and the average traffic has increased significantly from 60 to 100 Gbit/sec compared to 2015.

A number of new services – especially within Lecture Capturing and Streaming and AAI have been launched to the benefit of the Nordic user community.

International connectivity

The main international connectivity activity for 2016 has been centred on expanding the Advanced North Atlantic Network - ANA-100 Production network established in 2014 to a tripple 100 Gbit/s trans-Atlantic system for research and education.

Together with Internet2 (US), SURFNET (NL), GEANT and CANARIE (CA) NORDUnet have procured three trans-Atlantic 100 Gbit/Sec (ANA-300) and succeeded in putting all three into operation at a cost significantly below any previously seen cost in this region

ESNET (US) are complementing the ANA-300 with its own transatlantic capacity enabling both the ANA-300 and ESNET Network to serve as backup for each other in case of any cable outages. It is expected that NEAR - a National Science Foundation funded project - will join the ANA Consortium adding additional 100 Gbit/sec transatlantic capacity during 2017.

The ANA Consortium capacity all terminate in open exchange points enabling users to make use of this new facility at a number of key connection points both in Europe and North America.

During 2016 traffic patterns continue to change and NORDUnet sees a more volatile traffic pattern and a major increase in peak traffic and it is now around 250 Gbit/sec, which is an increase of around 50% over 2015. The network has due to the advanced planning and traffic design coped with this without problems.

The usage patterns were in 2016 divided between:

Europe (Non GEANT):	36%
US:	27%
Peering and Content Providers:	18%
GEANT:	9%
ASIA – PACIFIC:	9%
Middle East and Africa:	1%

The above clearly shows a greater R&E usage of commercial services than before as the research and education communities take-up of commercial cloud services are increasing significantly.

Internet Connectivity

Internet Transit requirement increased significantly in 2016 and reached a peak close to 160 Gbit/sec, which is an increase in peak traffic in excess of 50 %, compared to the same period in 2015. Historically the growth factor has been around 35% for many years hence both 2013, 2014, 2015 and 2016 has shown a dramatic change in the network capacity requirements

In 2016 NORDUnet continued to see the impact of Cloud Service and live video streaming over the network. This has resulted in a traffic pattern that today is fluctuating much more erratic and more unbalanced than previously and which requires more rigorous traffic monitoring and planning than before.

Management commentary

The strategy of creating a Europe and US wide peering and transit network fabric has proven to be extremely successful and the key is the network ability to handle the significant network traffic increases.

The usage of this network design has surpassed all our expectations and has clearly demonstrated that the IX connectivity strategy is a vital step in the efforts to meet the Internet needs of the Nordic users with the current budget limitations.

NORDUnet is planning to expand peering and research network infrastructure reach into Asia with the first presence being established in Hong Kong during 2017.

In addition to this NORDUnet has major private peering's with Google, YouTube, Akamai and is in the process of adding more content network providers.

As a result of the NORDUnet peering strategy NORDUnet has succeeded to maintain the level of payable Internet traffic at the same level as last year with a significant increase in peering traffic from 120 Gbit/sec to 160 Gbit/sec – a traffic increase that if it had to be handled by a commercial paid transit service would have resulted in a significant cost increase. This is again a clear proof that the strategy of network build out and peering contributes to keep the costs down.

Network development

2016 Successfully completed the negotiations with respect to the next generation IP backbone that will be implemented during 1H 2017 and that will last until the next major network overhaul in 2021.

The influence of Cloud Services, Lecture Capturing and Streaming as well as network based video distribution shall not be underestimated as these services will have substantial impact on the capacity requirement, the future network architecture and the way that we collaborate in the future.

The ANA-300 Production facility and the work in the Global NREN CEO Forum is key to the future capability to deliver the services and capacity the user community requires within the given financial framework.

NeIC

NeIC is the Nordic e-Infrastructure Collaboration and facilitates the development of advanced IT tools and services in areas of importance to Nordic researchers and coordinates the Nordic participation in the LHC Project.

NORDUnet provides a number of operational resources and coordination services for NEIC in addition to providing the Nordic High Energy Physics backbone and the connectivity to CERN that peaks close to 10 Gbits/sec. NORDUnet and NeIC has during fall of 2015 redesigned the NeIC infrastructure and has during 2016 increased the capacity available for the HPC community significantly.

Outlook 2017

The overall development for NORDUnet A/S for 2017 is expected to be in line with 2016 – but NORDUnet is actively working on the strategy for the NORDUnet NextGen Network that will be implemented during 2021 and that probably will be a significant shift in paradigm with respect to Network architecture.

Branch outside Denmark

NORDUnet A/S has a branch in Stockholm, Sweden.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	<u>Notes</u>	<u>2016 EUR</u>	<u>2015 EUR</u>
Revenue		18.280.997	18.007.982
Cost of sales		(7.689.645)	(6.624.673)
Other external expenses		<u>(3.960.611)</u>	<u>(4.276.763)</u>
Gross profit/loss		6.630.741	7.106.546
Staff costs	2	(4.317.039)	(4.106.990)
Depreciation, amortisation and impairment losses		<u>(1.921.878)</u>	<u>(1.687.294)</u>
Operating profit/loss		391.824	1.312.262
Other financial income		120.572	141.769
Other financial expenses		<u>(405.009)</u>	<u>(452.060)</u>
Profit/loss before tax		107.387	1.001.971
Tax on profit/loss for the year	3	<u>29.698</u>	<u>(236.618)</u>
Profit/loss for the year	4	<u>137.085</u>	<u>765.353</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 EUR</u>	<u>2015 EUR</u>
Other fixtures and fittings, tools and equipment		3.791.610	4.582.377
Property, plant and equipment	5	<u>3.791.610</u>	<u>4.582.377</u>
Deposits		192.496	190.106
Fixed asset investments	6	<u>192.496</u>	<u>190.106</u>
Fixed assets		<u>3.984.106</u>	<u>4.772.483</u>
Trade receivables		4.458.280	3.678.587
Deferred tax	7	134.913	24.609
Other receivables		0	1.778.856
Income tax receivable		0	1.724
Prepayments	8	2.383.082	2.473.246
Receivables		<u>6.976.275</u>	<u>7.957.022</u>
Cash		<u>4.540.781</u>	<u>3.450.448</u>
Current assets		<u>11.517.056</u>	<u>11.407.470</u>
Assets		<u>15.501.162</u>	<u>16.179.953</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 EUR</u>	<u>2015 EUR</u>
Contributed capital		1.499.785	1.496.524
Retained earnings		1.312.110	1.168.744
Equity		<u>2.811.895</u>	<u>2.665.268</u>
Finance lease liabilities		315.317	101.283
Other payables		1.691.115	2.610.289
Non-current liabilities other than provisions	9	<u>2.006.432</u>	<u>2.711.572</u>
Current portion of long-term liabilities other than provisions	9	1.227.301	1.141.735
Trade payables		2.316.488	930.946
Income tax payable		80.563	0
Other payables		3.524.199	5.730.577
Deferred income	10	3.534.284	2.999.855
Current liabilities other than provisions		<u>10.682.835</u>	<u>10.803.113</u>
Liabilities other than provisions		<u>12.689.267</u>	<u>13.514.685</u>
Equity and liabilities		<u>15.501.162</u>	<u>16.179.953</u>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	12		

Statement of changes in equity for 2016

	Contributed capital EUR	Retained earnings EUR	Total EUR
Equity beginning of year	1.496.524	1.168.744	2.665.268
Exchange rate adjustments	3.261	6.281	9.542
Profit/loss for the year	0	137.085	137.085
Equity end of year	1.499.785	1.312.110	2.811.895

Cash flow statement 2016

	<u>Notes</u>	<u>2016 EUR</u>	<u>2015 EUR</u>
Operating profit/loss		391.933	1.312.262
Amortisation, depreciation and impairment losses		1.921.878	1.687.294
Working capital changes	11	804.644	516.078
Other adjustments		<u>(1.149)</u>	<u>(418.890)</u>
Cash flow from ordinary operating activities		3.117.306	3.096.744
Financial income received		120.572	141.189
Financial income paid		<u>(405.009)</u>	<u>(452.060)</u>
Cash flows from operating activities		<u>2.832.869</u>	<u>2.785.873</u>
Acquisition etc of intangible assets		(1.285.900)	(905.002)
Sale of intangible assets		0	42.174
Deposits		<u>718</u>	<u>0</u>
Cash flows from investing activities		<u>(1.285.182)</u>	<u>(862.828)</u>
Instalments on loans etc		(881.560)	(858.201)
Incurrence of lease obligations		963.783	536.105
Reduction of lease commitments		<u>(539.577)</u>	<u>0</u>
Cash flows from financing activities		<u>(457.354)</u>	<u>(322.096)</u>
Increase/decrease in cash and cash equivalents		1.090.333	1.600.949
Cash and cash equivalents beginning of year		<u>3.450.448</u>	<u>1.849.499</u>
Cash and cash equivalents end of year		<u>4.540.781</u>	<u>3.450.448</u>

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2016	2015
	EUR	EUR
2. Staff costs		
Wages and salaries	3.829.362	3.661.571
Pension costs	88.376	65.322
Other social security costs	344.214	313.355
Other staff costs	55.087	66.742
	4.317.039	4.106.990
Number of employees at balance sheet date	42	40

	2016	2015
	EUR	EUR
3. Tax on profit/loss for the year		
Tax on current year taxable income	80.446	0
Change in deferred tax for the year	(110.051)	236.618
Adjustment concerning previous years	(93)	0
	(29.698)	236.618

	2016	2015
	EUR	EUR
4. Proposed distribution of profit/loss		
Retained earnings	137.085	765.353
	137.085	765.353

Notes

	Other fixtures and fittings, tools and equipment EUR
	<u>EUR</u>
5. Property, plant and equipment	
Cost beginning of year	14.296.622
Exchange rate adjustments	54.037
Additions	1.285.900
Disposals	<u>(210.404)</u>
Cost end of year	<u>15.426.155</u>
Depreciation and impairment losses beginning of the year	(9.714.245)
Exchange rate adjustments	(36.717)
Depreciation for the year	(1.924.680)
Reversal regarding disposals	<u>41.097</u>
Depreciation and impairment losses end of the year	<u>(11.634.545)</u>
Carrying amount end of year	<u>3.791.610</u>
Recognised assets not owned by entity	<u>691.578</u>
	<u>691.578</u>
	Deposits EUR
	<u>EUR</u>
6. Fixed asset investments	
Cost beginning of year	190.106
Exchange rate adjustments	1.672
Additions	<u>718</u>
Cost end of year	<u>192.496</u>
Carrying amount end of year	<u>192.496</u>

Notes

	2016
	EUR
7. Deferred tax	
Changes during the year	
Beginning of year	24.862
Recognised in the income statement	<u>110.051</u>
End of year	<u>134.913</u>

8. Prepayments

Prepayments comprise incurred cost relating to subsequent financial years such as subscriptions, membership fees, service agreements and insurance.

	Instalments within 12 months 2016 EUR	Instalments within 12 months 2015 EUR	Instalments beyond 12 months 2016 EUR
9. Liabilities other than provisions			
Finance lease liabilities	278.852	242.879	315.317
Other payables	<u>948.449</u>	<u>898.856</u>	<u>1.691.115</u>
	<u>1.227.301</u>	<u>1.141.735</u>	<u>2.006.432</u>

There are no long-term liabilities that are due five years after the balance sheet date.

10. Deferred income

Deferred income comprises received income for recognition in subsequent financial years.

	2016	2015
	EUR	EUR
11. Change in working capital		
Increase/decrease in receivables	1.091.051	(1.195.447)
Increase/decrease in trade payables etc	<u>(286.407)</u>	<u>1.711.525</u>
	<u>804.644</u>	<u>516.078</u>
12. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>2.126.090</u>	<u>760.000</u>

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost.

Accounting policies

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income and net capital gains on payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and net capital losses on payables and transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment

3-5 years

Accounting policies

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.