Deloitte.

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Revisionspartnerselskab
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**Momondo A/S**
Løvstræde 1
1152 København K
Central Business Registration No
20181397

# Annual report 2016

The Annual General Meeting adopted the annual report on 04.05.2017

**Chairman of the General Meeting**

Name: Hugo Burge

# Contents

# Entity details

**Entity**
Momondo A/S
Løvstræde 1
1152 København K

Central Business Registration No: 20181397
Founded: 14.04.1997
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Phone: +4533378080
Website: www.momondo.dk
E-mail: info@momondo.dk

**Board of Directors**
Hugo Burge, chairman
Alan Paul Martin
Pia Pickering Vemmelund

**Executive Board**
Pia Pickering Vemmelund, managing director

**Auditors**
Deloitte Statsautoriseret Revisionspartnerselskab
Herningvej 34
4800 Nykøbing F

# Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Momondo 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.

Copenhagen, 04.05.2017

**Executive Board**

Pia Pickering Vemmelund
managing director

**Board of Directors**

Hugo Burge
chairman

Alan Paul Martin

Pia Pickering Vemmelund

# Independent auditor's report

## To the shareholders of Momondo A/S

**Opinion**

We have audited the financial statements of Momondo 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 exits. 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.

Nykoebing F., 04.05.2017

**Deloitte**
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

| | |
|---|---|
| Christian Knud Jørgensen | Glenn Hartmann |
| State Authorised Public Accountant | State Authorised Public Accountant |

# Management commentary

| | 2016 DKK'000 | 2015 DKK'000 | 2014 DKK'000 | 2013 DKK'000 | 2012 DKK'000 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| **Key figures** | | | | | |
| Gross profit | 55.615 | 58.693 | 50.572 | 19.072 | 44.801 |
| Operating profit/loss | (43.402) | (18.344) | (785) | (36.801) | 12.640 |
| Net financials | (3.185) | (798) | (1.317) | (1.181) | 26 |
| Profit/loss for the year | (35.954) | (15.714) | (1.884) | (31.086) | 9.489 |
| Total assets | 188.269 | 138.758 | 80.841 | 51.788 | 45.454 |
| Investments in property, plant and equipment | 5.973 | 1.391 | 1.195 | 1.438 | 377 |
| Equity | (73.166) | (37.212) | (21.499) | (19.615) | 11.472 |
| Employees in average | 177 | 120 | 87 | 53 | 23 |
| | | | | | |
| **Ratios** | | | | | |
| Return on equity (%) | 66,8 | 53,5 | 9,2 | 763,6 | 141,0 |
| Equity ratio (%) | (38,9) | (26,8) | (26,6) | (37,9) | 25,2 |

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

As specified on page 17, the accounting policies on recognition of indirect production costs related to fixed assets have been changed from recognition as part of cost of fixed assets to recognition in the income statement when incurred. The comparative figures for the second, third and fourth comparative year have not been restated. A restatement of the comparatives would imply an increase in the results, value of fixed assets (completed development projects and development projects in progress) and equity.

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

# Management commentary

**Primary activities**
The Company's primary activity is to conduct internet business.

**Development in activities and finances**
Momondo A/S has seen another year with significant increase in revenue through continued targeted investment in product development and marketing to ensure and maintain future international growth. In the area of development, momondo A/S has continued to innovate through the expansion of its product portfolio and mobile offerings, whilst providing a market-leading travel search platform that attracts users from all over the world.

In 2016 momondo A/S achieved its growth targets resulting in an increase of turnover. Operating result was lower than 2015, mainly due to increase in market expansion and market investments and further expansion of the workforce.

By the end of 2016, the Company is still showing a negative equity position due to the retained loss of 36,0m DKK in the year and prior years' heavy investments in marketing activities and product development. Management continues to assess that the capital strength will be restored over the next year through positive operating results. In accordance with § 119 of the Danish Companies Act, the Board will outline this in detail at the Board Meeting on 4th of May 2017, and propose that there should not be taken any concrete steps to restore the capital on the basis of the 2017 budget and longer term business plans.

**Changes in accounting policies due to amendments to the Danish Financial Statements Act**
The Company's accounting policies have been changed in a number of areas due to the application of the amended provisions of the Danish Financial Statements Act. Overall, these changes imply a decrease in the results for the year of DKK 1,361 thousand compared to results calculated according to the accounting policies applied last year and a total reduction in equity of DKK 1,361 thousand at 31 December 2016. The individual changes and their effect are specified under accounting policies.

**Outlook**
Management continues to focus on international growth and new product development and has initiated several measures to meet the expectations for the coming years. Investment in marketing will continue to deliver the planned international growth targets. Management is planning drive a more profitable growth, thus the Gross profit for 2017 is expected to grow with a positive impact on operating result.

**Events after the balance sheet date**
The shareholders of the ultimate parental company of momondo A/S, Momondo Group Holdings Limited ("Group"), entered into a conditional agreement in February 2017 to sell 100% of the issued share capital of the Group to the Priceline Group Inc., through its wholly owned subsidiary, Priceline.com International Limited ("Priceline"). Completion of this transaction is subject to regulatory approval in various jurisdictions and once completed Priceline will have sole control over the Group.

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

# Income statement for 2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| **Gross profit** | | **55.614.873** | **58.692.763** |
| Staff costs | 2 | (88.090.007) | (68.995.654) |
| Depreciation, amortisation and impairment losses | 3 | (10.926.891) | (8.040.889) |
| **Operating profit/loss** | | **(43.402.025)** | **(18.343.780)** |
| Other financial income | 4 | 0 | 412.829 |
| Other financial expenses | 5 | (3.184.765) | (1.210.559) |
| **Profit/loss before tax** | | **(46.586.790)** | **(19.141.510)** |
| Tax on profit/loss for the year | 6 | 10.632.757 | 3.427.813 |
| **Profit/loss for the year** | 7 | **(35.954.033)** | **(15.713.697)** |

# Balance sheet at 31.12.2016

| | Notes | 2016<br>DKK | 2015<br>DKK |
|---|---|---|---|
| Completed development projects | | 10.647.053 | 13.912.926 |
| Acquired intangible assets | | 1.345.473 | 245.154 |
| Acquired rights | | 40.014 | 113.588 |
| Development projects in progress | | 13.996.883 | 4.333.068 |
| **Intangible assets** | 8 | **26.029.423** | **18.604.736** |
| | | | |
| Other fixtures and fittings, tools and equipment | | 3.751.337 | 1.754.813 |
| Leasehold improvements | | 2.412.745 | 226.061 |
| **Property, plant and equipment** | 9 | **6.164.082** | **1.980.874** |
| | | | |
| Investments in group enterprises | | 324.167 | 324.167 |
| Other receivables | | 3.503.927 | 4.072.252 |
| Deferred tax | 11 | 20.783.331 | 10.150.574 |
| **Fixed asset investments** | 10 | **24.611.425** | **14.546.993** |
| | | | |
| **Fixed assets** | | **56.804.930** | **35.132.603** |
| | | | |
| Trade receivables | | 79.071.952 | 55.906.372 |
| Other receivables | | 286.994 | 253.788 |
| Income tax receivable | | 4.579 | 0 |
| Prepayments | 12 | 19.897.177 | 14.220.232 |
| **Receivables** | | **99.260.702** | **70.380.392** |
| | | | |
| **Cash** | | **32.203.848** | **33.245.462** |
| | | | |
| **Current assets** | | **131.464.550** | **103.625.854** |
| | | | |
| **Assets** | | **188.269.480** | **138.758.457** |

# Balance sheet at 31.12.2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Contributed capital | 13 | 1.672.600 | 1.672.600 |
| Reserve for development expenditure | | 11.477.768 | 0 |
| Retained earnings | | (86.316.721) | (38.884.922) |
| **Equity** | | **(73.166.353)** | **(37.212.322)** |
| | | | |
| Other provisions | 14 | 8.596.774 | 10.369.674 |
| **Provisions** | | **8.596.774** | **10.369.674** |
| | | | |
| Bank loans | | 0 | 250.675 |
| Prepayments received from customers | | 1.704.066 | 3.560.749 |
| Trade payables | | 47.512.284 | 48.289.739 |
| Payables to group enterprises | | 177.086.986 | 92.011.523 |
| Other payables | | 26.535.723 | 21.488.419 |
| **Current liabilities other than provisions** | | **252.839.059** | **165.601.105** |
| | | | |
| **Liabilities other than provisions** | | **252.839.059** | **165.601.105** |
| | | | |
| **Equity and liabilities** | | **188.269.480** | **138.758.457** |
| | | | |
| Going concern | 1 | | |
| Unrecognised rental and lease commitments | 16 | | |
| Contingent liabilities | 17 | | |
| Transactions with related parties | 18 | | |

# Statement of changes in equity for 2016

| | Contributed capital DKK | Reserve for development expenditure DKK | Retained earnings DKK | Total DKK |
|---|---|---|---|---|
| Equity beginning of year | 1.672.600 | 0 | (38.884.920) | (37.212.320) |
| Transfer to reserves | 0 | 11.477.768 | (11.477.768) | 0 |
| Profit/loss for the year | 0 | 0 | (35.954.033) | (35.954.033) |
| **Equity end of year** | **1.672.600** | **11.477.768** | **(86.316.721)** | **(73.166.353)** |

# Cash flow statement 2016

| | Notes | 2016 DKK | 2015 DKK |
|---|---|---|---|
| Operating profit/loss | | (44.757.635) | (18.343.780) |
| Amortisation, depreciation and impairment losses | | 10.914.435 | 8.040.889 |
| Other provisions | | (417.289) | 2.679.147 |
| Working capital changes | 15 | (39.807.427) | 16.987.312 |
| **Cash flow from ordinary operating activities** | | **(74.067.916)** | **9.363.568** |
| Financial income received | | 0 | 412.829 |
| Financial income paid | | (3.184.766) | (1.210.559) |
| Income taxes refunded/(paid) | | 0 | 628.153 |
| **Cash flows from operating activities** | | **(77.252.682)** | **9.193.991** |
| Acquisition etc of intangible assets | | (16.561.581) | (10.755.916) |
| Acquisition etc of property, plant and equipment | | (5.973.206) | (1.391.495) |
| Sale of property, plant and equipment | | 12.456 | 0 |
| Acquisition of fixed asset investments | | 0 | (3.576.625) |
| Sale of fixed asset investments | | 568.325 | 0 |
| Acquisition of enterprises | | 0 | (324.167) |
| **Cash flows from investing activities** | | **(21.954.006)** | **(16.048.203)** |
| Incurrence of debt to group enterprises | | 98.415.749 | 21.300.567 |
| **Cash flows from financing activities** | | **98.415.749** | **21.300.567** |
| **Increase/decrease in cash and cash equivalents** | | **(790.939)** | **14.446.355** |
| Cash and cash equivalents beginning of year | | 32.994.787 | 18.548.432 |
| **Cash and cash equivalents end of year** | | **32.203.848** | **32.994.787** |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 32.203.848 | 33.245.462 |
| Short-term debt to banks | | 0 | (250.675) |
| **Cash and cash equivalents end of year** | | **32.203.848** | **32.994.787** |

# Notes

### 1. Going concern

Management continues to assess that the capital strength will be restored over the next two years through positive operating results. In accordance with § 119 of the Danish Companies Act, the Board will outline this in detail at the Board Meeting on 4th of May 2017, and propose that there should not be taken any concrete steps to restore the capital on the basis of the 2016 budget and longer term business plans. Going concern is also supported by letter of support from Momondo Group.

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **2. Staff costs** | | |
| Wages and salaries | 82.469.506 | 64.576.641 |
| Pension costs | 4.302.942 | 3.385.327 |
| Other social security costs | 1.317.559 | 1.033.686 |
| | **88.090.007** | **68.995.654** |
| | | |
| Average number of employees | **177** | **120** |

Information on remuneration to management has been omitted with reference to the Annual Accounts Act, section 98b, paragraph. 3.

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **3. Depreciation, amortisation and impairment losses** | | |
| Amortisation of intangible assets | 8.906.464 | 6.942.352 |
| Impairment losses on intangible assets | 230.429 | 0 |
| Depreciation of property, plant and equipment | 1.777.542 | 1.098.537 |
| Profit/loss from sale of intangible assets and property, plant and equipment | 12.456 | 0 |
| | **10.926.891** | **8.040.889** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **4. Other financial income** | | |
| Interest income | 0 | 3.921 |
| Exchange rate adjustments | 0 | 408.908 |
| | **0** | **412.829** |

# Notes

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **5. Other financial expenses** | | |
| Financial expenses from group enterprises | 1.883.517 | 1.210.559 |
| Interest expenses | 21.657 | 0 |
| Exchange rate adjustments | 1.279.591 | 0 |
| | **3.184.765** | **1.210.559** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **6. Tax on profit/loss for the year** | | |
| Change in deferred tax for the year | (10.632.757) | (3.660.969) |
| Adjustment concerning previous years | 0 | 233.156 |
| | **(10.632.757)** | **(3.427.813)** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **7. Proposed distribution of profit/loss** | | |
| Retained earnings | (35.954.033) | (15.713.697) |
| | **(35.954.033)** | **(15.713.697)** |

# Notes

| | Completed development projects DKK | Acquired intangible assets DKK | Acquired rights DKK | Development projects in progress DKK |
|---|---|---|---|---|
| **8. Intangible assets** | | | | |
| Cost beginning of year | 23.848.290 | 635.398 | 834.767 | 4.333.068 |
| Transfers | 2.451.937 | 0 | 0 | (2.451.937) |
| Additions | 2.858.005 | 1.306.072 | 51.323 | 12.346.181 |
| Disposals | 0 | 0 | 0 | (230.429) |
| **Cost end of year** | **29.158.232** | **1.941.470** | **886.090** | **13.996.883** |
| Amortisation and impairment losses beginning of year | (9.935.365) | (390.244) | (721.179) | 0 |
| Impairment losses for the year | 0 | 0 | 0 | (230.429) |
| Amortisation for the year | (8.575.814) | (205.753) | (124.897) | 0 |
| Reversal regarding disposals | 0 | 0 | 0 | 230.429 |
| **Amortisation and impairment losses end of year** | **(18.511.179)** | **(595.997)** | **(846.076)** | **0** |
| **Carrying amount end of year** | **10.647.053** | **1.345.473** | **40.014** | **13.996.883** |

**Development projects in progress**
Internal-developed software projects comprises Labor costs (salary etc) and other expenses directly attributable to the company's development activities.

Development projects in progress that do not meet the criteria for recognition in the balance sheet are recognized as expenses in the income statement as incurred.

Projects in progress that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists and that the value of future earning can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Capitalised development cost are measured at cost less accumulated amortisation and write-down or recoverable amount if lower.

# Notes

| | Other fixtures and fittings, tools and equipment DKK | Leasehold improve-ments DKK |
|---|---|---|
| **9. Property, plant and equipment** | | |
| Cost beginning of year | 4.652.619 | 1.021.298 |
| Additions | 3.414.233 | 2.558.973 |
| Disposals | (980.643) | (1.021.298) |
| **Cost end of year** | **7.086.209** | **2.558.973** |
| | | |
| Depreciation and impairment losses beginning of the year | (2.897.806) | (795.237) |
| Depreciation for the year | (1.405.253) | (372.289) |
| Reversal regarding disposals | 968.187 | 1.021.298 |
| **Depreciation and impairment losses end of the year** | **(3.334.872)** | **(146.228)** |
| | | |
| **Carrying amount end of year** | **3.751.337** | **2.412.745** |

| | Investments in group enterprises DKK | Other receivables DKK | Deferred tax DKK |
|---|---|---|---|
| **10. Fixed asset investments** | | | |
| Cost beginning of year | 324.167 | 4.072.252 | 10.150.574 |
| Additions | 0 | 0 | 10.632.757 |
| Disposals | 0 | (568.325) | 0 |
| **Cost end of year** | **324.167** | **3.503.927** | **20.783.331** |
| | | | |
| **Carrying amount end of year** | **324.167** | **3.503.927** | **20.783.331** |

# Notes

| | Registered in | Corporate form | Equity interest % | Equity DKK | Profit/loss DKK |
|---|---|---|---|---|---|
| Investments in group enterprises comprise: | | | | | |
| Momondo Information & Technology (Shanghai) Co., Ltd. | Shanghai, China | Ltd. | 100,0 | 15.739 | (84.159) |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **11. Deferred tax** | | |
| Intangible assets | (5.383.542) | (3.965.267) |
| Property, plant and equipment | 39.747 | 117.344 |
| Receivables | (3.341.991) | (2.537.930) |
| Tax losses carried forward | 29.469.117 | 16.536.427 |
| | **20.783.331** | **10.150.574** |
| | | |
| **Changes during the year** | | |
| Beginning of year | 10.150.574 | |
| Recognised in the income statement | 10.632.757 | |
| **End of year** | **20.783.331** | |

The company has chosen to recognize deferred tax assets in full, as they primarily relate to taxable loss carryforwards expected to be utilized within 2-3 years.

**12. Prepayments**
Prepayments comprise incurred costs relating to subsequent financial years.

| | Number | Par value DKK | Nominal value DKK |
|---|---|---|---|
| **13. Contributed capital** | | | |
| Stocks | 16.726 | 100 | 1.672.600 |
| | **16.726** | | **1.672.600** |

# Notes

**14. Other provisions**

Other provisions comprise contractual liabilities regarding growth shares in Momondo Group Limited, London, UK, acquired by executives in Momondo A/S.

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **15. Change in working capital** | | |
| Increase/decrease in inventories | 0 | 222.602 |
| Increase/decrease in receivables | (28.880.310) | (32.858.097) |
| Increase/decrease in trade payables etc | (10.927.117) | 49.622.807 |
| | **(39.807.427)** | **16.987.312** |

| | 2016 DKK | 2015 DKK |
|---|---|---|
| **16. Unrecognised rental and lease commitments** | | |
| Hereof liabilities under rental or lease agreements until maturity in total | **32.079.896** | **35.816.459** |

**17. Contingent liabilities**

A business partner has sued Momondo A/S for breach of licence agreement. The size of any claim for damages against the Company has not yet been made more specific for which reason a provision for such claim has not been made in the financial statements apart from a provision for legal expenses related to the lawsuit.

| | Parent DKK | Other related parties. DKK |
|---|---|---|
| **18. Transactions with related parties** | | |
| Revenue | 111.004.848 | 0 |
| Other external expenses | 89.296.632 | 0 |
| Staff costs | 4.102.518 | 0 |
| Financial expenses | 1.607.106 | 276.411 |
| Liabilities other than provisions | 140.491.100 | 36.595.886 |

# 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 (medium).

The accounting policies applied to these financial statements are except from mentioned below consistent with those applied last year.

**Consolidated financial statements**
Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

**Changes in accounting policies**
The accounting policies have been changed in the following areas due to the amendments to the Danish Financial Statements Act:

Indirect production costs related to fixed assets are recognised in the income statement when incurred. Previously, costs indirectly attributable to self-constructed assets were recognised as part of cost of fixed assets. In accordance with the transitional provisions of the Danish Financial Statements Act, indirect production costs related to fixed assets paid on 1 January 2016 or later are recognised in the income statement when incurred.

For development costs recognised in the balance sheet, an amount equal to such development costs less deferred tax recognised after 1 January 2016 is recognised as a reserve for development costs in equity. The reserve is reduced by the ongoing amortisation after tax. In accordance with the transitional provisions of the Danish Financial Statements Act, an equal amount is only recognised as reserve for development costs if the development costs are subject to initial recognition on 1 January 2016 or later.

The changes in accounting policies lead to an increase in staff costs of DKK 1,799 thousand and a decrease in amortisation of DKK 54 thousand. The total effect of the changes amounts to a decrease in the results for the year before tax of DKK 1,745 thousand. Based on the changes in accounting policies, tax for the year amounts to DKK 384 thousand after which the results for the year after tax are reduced by DKK 1,361 thousand. The balance sheet total and equity are reduced by DKK 1,361 thousand at 31 December 2016.

**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.

# Accounting policies

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**
**Gross profit or loss**
Gross profit or loss comprises revenue and external expenses.

**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.

**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 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 equipment.

**Other financial income**
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains payables and transactions in foreign currencies as tax relief under the Danish Tax Prepayment Scheme etc.

# Accounting policies

**Other financial expenses**
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

**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**
**Intellectual property rights etc**
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in form of indirect attributable staff costs and other external expenses used in the development process until 01.01.2016 are regognised in cost based on time spent on each project. After 01.01.2016 includes the cost of development projects only direct costs for external purchases and salaries.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 3 years. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 5 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

# Accounting policies

**Property, plant and equipment**
Other fixtures and fittings, tools and equipment and leasehold improvements 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.

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 | 2-4 years |
| Leasehold improvements | 5 years |

For leasehold improvements the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Equipment are written down to the lower of recoverable amount and carrying amount.

**Investments in group enterprises**
Investments in group enterprises are measured at cost and 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.

**Income tax payable or receivable**
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.

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

# Accounting policies

**Cash**
Cash comprises cash in hand and bank deposits.

**Other provisions**
Other provisions comprise contractual liabilities.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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

**Prepayments received from customers**
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**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 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.