
Keylane A/S

Kigkurren 10, DK-2300 København S

Annual Report for 1 January - 31 December 2019

CVR No 21 27 63 08

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/3 2020

Jesper Schjøth Essendrop
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Keylane A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 March 2020

Executive Board

Jesper Schjøth Essendrop
CEO

Martin Møller Paarse
Executive Officer

Board of Directors

Ralf Timmer
Chairman

Stephen Eric Dews
Deputy Chairman

Jesper Schjøth Essendrop

Independent Auditor's Report

To the Shareholder of Keylane A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Keylane A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

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.

Hellerup, 31 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen
State Authorised Public Accountant
mne16675

Simon Vinberg Andersen
State Authorised Public Accountant
mne35458

Company Information

The Company

Keylane A/S
Kigkurren 10
DK-2300 København S

Telephone: + 45 70204090

CVR No: 21 27 63 08

Financial period: 1 January - 31 December

Incorporated: 1 May 1998

Financial year: 22nd financial year

Municipality of reg. office: København

Board of Directors

Ralf Timmer, Chairman
Stephen Eric Dews
Jesper Schjøth Essendrop

Executive Board

Jesper Schjøth Essendrop
Martin Møller Paarse

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Profit/loss before financial income and expenses	28,717	13,841	12,377	14,203	11,848
Net financials	768	26	318	1,178	381
Net profit/loss for the year	22,416	8,782	9,902	10,784	8,624
Balance sheet					
Balance sheet total	186,252	162,756	146,763	161,204	168,634
Equity	123,282	100,866	92,084	117,219	106,435
Cash flows					
Cash flows from:					
- operating activities	24,031	35,863	38,750	33,611	35,171
- investing activities	-28,690	-34,583	-32,504	-34,458	-21,935
including investment in property, plant and equipment	-1,496	-1,329	-415	-835	345
- financing activities	1,292	0	-4,597	-2,333	-9,393
Change in cash and cash equivalents for the year	-3,367	1,280	1,649	-3,180	3,843
Number of employees	142	149	150	149	111
Ratios					
Return on assets	15.4 %	8.5 %	8.4 %	8.8 %	7.0 %
Solvency ratio	66.2 %	62.0 %	62.7 %	72.7 %	63.1 %
Return on equity	20.0 %	9.1 %	9.5 %	9.6 %	8.4 %

The ratios have been prepared in accordance with the definitions under the accounting policies.

Management's Review

Financial Statements of Keylane A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Key activities

Keylane A/S' key activities are listed below:

- Sales, delivery and support of Keylane's software solutions to the Nordic financial market with particular focus on life and pension.
- Development of key products in Keylane's software portfolio within life and pension for distribution in all target markets of Keylane.

Keylane A/S offers the following standard industry platforms in the Nordic market that empower the life and pension providers to launch a complete digital pension platform both with or without legacy migration:

- Keylane Plexus - a complete standard platform for managing life and pension portfolios with both guaranteed benefits, market interest rates and Unit Link. Plexus has a robust and advanced core engine that is based on events. The platform has modules for incoming and outgoing payments, company agreements, policy administration, standard processes with a high degree of automation, portals for employees and customers, as well as integration with bookkeeping and data warehouse.
- Keylane Obex - with a fully API enabled calculation core, banks and pension providers can utilize the Obex platform for holistic advisory on credit processes, pensions and wealth. The calculation capabilities include pension needs analysis, tax calculations, social benefits and a lot more given a person's income, assets and liabilities. Keylane Obex is used by a broad range of Danish financial institutions and smaller independent advisors.
- Keylane Valuation & ALM - risk management tools for the calculation of cash flows, market provisions, stress tests, capital requirements and asset liability management in connection with the life and pension providers' legal obligations including Solvency II.

Market overview

Keylane A/S targets the Nordic financial market with focus on life, pension and banking.

In addition other companies in the Keylane group market the Plexus solution in the Netherlands.

Management's Review

Development in the year

The income statement of the Company for 2019 shows a profit of TDKK 22,416, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 123,282.

The profit for 2019 is affected significantly by an one-off revenue relating to a termination fee from a customer, who terminated a long-term SaaS-contract early in the contract period.

In 2019, Keylane A/S has strengthened its market position in the Nordic countries outside Denmark and has been involved in the first analysis project for a potential customer in Finland. Furthermore, the first sale of a Plexus solution to a Dutch customer was made in 2019. The solution is currently being implemented and the customer is expected to go-live on the phase 1 delivery in 2020.

The past year and follow-up on development expectations from last year

Overall Keylane A/S has succeeded in following the plans and expectations set for 2019. The Net profit for the year of DKK 22,3 million have been better than the expected of DKK 14 million, mainly due to the one-off revenue mentioned in section "Development in the year".

Special risks - operating risks and financial risks

The primary operating risks of Keylane A/S are associated with security related aspects. The Keylane Group is currently implementing ISAE3402 controls in a more wider context across product suites. This work will continue in 2020.

Targets and expectations for the year ahead

The Company's outlook for the future will be negatively affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 1.

Before the COVID-19 outbreak, Management expected to keep and expand the Company's positioning in the Nordic market. 2019 was effected by significant positive one-off items, which we don't expect to realise in 2020. Based on current agreements with existing customers, we expect to realise a net profit, which are closer to the years before 2019 of approximately DKK 7-12 million.

Research and development

Keylane A/S continues to invest significantly in product development to support the industry's growing transition to SaaS based standard platforms that can be deployed and implemented quickly and cost effectively.

In 2019 Keylane A/S has intensified the product development on a new financial planning platform as well as the ALM product. We expect both products to be finalized during 2020.

Management's Review

External environment

The company's activities are not deemed to have a particular impact on the environment.

Intellectual capital resources

Keylane's future earnings depend on the knowledge acquired by the employees. As Keylane is a successful company in a competitive market, Keylane continuously needs to attract the best employees. This is necessary to execute on the implementation projects and to continue the investments in the quality and usability of its SaaS software. Therefore, Keylane has a competitive salary offering and routinely takes a number of initiatives to improve employee satisfaction which is measured in a bi-annual employee survey.

Uncertainty relating to recognition and measurement

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable.

The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Unusual events

As mentioned under "Development during the year" the profit for 2019 is affected significantly by a one-off revenue relating to a termination fee from a customer who terminated a long-term SaaS-contract early in the contract period.

Apart from this, the financial position on 31 December 2019 of the Company and the results of the activities and cash flows of the Company for the financial year for 2019, have not been affected by any unusual events.

Management's Review

Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. At the moment it is impossible to quantify the impacts on Keylane, however, we have a strong business continuity plan and are taking all measures that are possible, in alignment with the guidance of the local governments in which Keylane operates. At the current time, our business continues to perform well, in terms of delivering SaaS and other services to our clients, although it is expected that there will be some productivity drop if the situation continues.

Apart from this no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Gross profit/loss		176,518	168,046
Staff expenses	2	-126,450	-134,659
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-21,351	-19,546
Profit/loss before financial income and expenses		28,717	13,841
Financial income	4	964	220
Financial expenses		-196	-194
Profit/loss before tax		29,485	13,867
Tax on profit/loss for the year	5	-7,069	-5,085
Net profit/loss for the year		22,416	8,782

Balance Sheet 31 December

Assets

	Note	2019 TDKK	2018 TDKK
Completed development projects		89,911	75,074
Acquired licenses		150	195
Acquired rights		0	0
Goodwill		11,054	14,001
Development projects in progress		14,094	20,990
Intangible assets	6	115,209	110,260
Other fixtures and fittings, tools and equipment		2,269	1,901
Leasehold improvements		245	136
Property, plant and equipment	7	2,514	2,037
Deposits		1,914	0
Fixed asset investments	8	1,914	0
Fixed assets		119,637	112,297
Trade receivables		31,478	22,225
Contract work in progress	9	0	1,175
Receivables from group enterprises		20,376	5,250
Corporation tax		4,455	7,862
Prepayments	10	1,171	1,445
Receivables		57,480	37,957
Cash at bank and in hand		9,135	12,502
Currents assets		66,615	50,459
Assets		186,252	162,756

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		41,166	41,166
Reserve for development costs		71,120	63,355
Retained earnings		10,996	-3,655
Equity		123,282	100,866
Provision for deferred tax	12	15,776	8,935
Other provisions	13	7,495	0
Provisions		23,271	8,935
Other payables		3,504	0
Long-term debt	14	3,504	0
Trade payables		4,088	4,463
Contract work in progress, liabilities	9	9,271	23,153
Payables to group enterprises		1,292	0
Corporation tax		228	0
Other payables	14	21,316	25,339
Short-term debt		36,195	52,955
Debt		39,699	52,955
Liabilities and equity		186,252	162,756
Subsequent events	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	17		
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Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	41,166	63,355	-3,655	100,866
Development costs for the year	0	7,765	-7,765	0
Net profit/loss for the year	0	0	22,416	22,416
Equity at 31 December	<u>41,166</u>	<u>71,120</u>	<u>10,996</u>	<u>123,282</u>

Cash Flow Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Net profit/loss for the year		22,416	8,782
Adjustments	15	27,652	24,604
Change in working capital	16	<u>(30,211)</u>	<u>2,450</u>
Cash flows from operating activities before financial income and expenses		19,857	35,836
Financial income		963	220
Financial expenses		<u>(196)</u>	<u>(193)</u>
Cash flows from ordinary activities		20,624	35,863
Corporation tax received		<u>3,407</u>	<u>0</u>
Cash flows from operating activities		24,031	35,863
Purchase of intangible assets		(25,280)	(33,254)
Purchase of property, plant and equipment		(1,496)	(1,329)
Fixed asset investments made etc		<u>(1,914)</u>	<u>0</u>
Cash flows from investing activities		(28,690)	(34,583)
Repayment of payables to group enterprises		<u>1,292</u>	<u>0</u>
Cash flows from financing activities		1,292	0
Change in cash and cash equivalents		(3,367)	1,280
Cash and cash equivalents at 1 January		<u>12,502</u>	<u>11,222</u>
Cash and cash equivalents at 31 December		9,135	12,502
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>9,135</u>	<u>12,502</u>
Cash and cash equivalents at 31 December		9,135	12,502

Notes to the Financial Statements

1 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. At the moment it is impossible to quantify the impacts on Keylane, however, we have a strong business continuity plan and are taking all measures that are possible, in alignment with the guidance of the local governments in which Keylane operates. At the current time, our business continues to perform well, in terms of delivering SaaS and other services to our clients, although it is expected that there will be some productivity drop if the situation continues.

	2019 TDKK	2018 TDKK
2 Staff expenses		
Wages and salaries	108,191	116,328
Pensions	8,839	8,958
Other social security expenses	1,001	926
Other staff expenses	8,419	8,447
	126,450	134,659
Including remuneration to the Executive Board of: Executive Board	5,048	6,502
	5,048	6,502
Average number of employees	142	149

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	20,332	18,904
Depreciation of property, plant and equipment	1,019	765
Gain and loss on disposal	0	-123
	21,351	19,546

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
4 Financial income		
Interest received from group enterprises	960	218
Other financial income	4	2
	964	220

5 Tax on profit/loss for the year

Current tax for the year	228	(4,277)
Deferred tax for the year	6,841	7,947
Adjustment of tax concerning previous years	0	351
Adjustment of deferred tax concerning previous years	0	1,064
	7,069	5,085

6 Intangible assets

	Completed development projects	Acquired licenses	Acquired rights	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	127,334	225	11,000	29,023	20,990	188,572
Adjustment at 1 January	0	0	0	938	0	938
Additions for the year	0	0	0	0	25,280	25,280
Disposals for the year	0	0	(11,000)	0	0	(11,000)
Transfers for the year	32,176	0	0	0	(32,176)	0
Cost at 31 December	159,510	225	0	29,961	14,094	203,790
Impairment losses and amortisation at 1 January	52,260	30	11,000	15,022	0	78,312
Adjustment at 1 January	0	0	0	939	0	939
Amortisation for the year	17,339	45	0	2,946	0	20,330
Reversal of amortisation of disposals for the year	0	0	(11,000)	0	0	(11,000)
Impairment losses and amortisation at 31 December	69,599	75	0	18,907	0	88,581
Carrying amount at 31 December	89,911	150	0	11,054	14,094	115,209

Notes to the Financial Statements

6 Intangible assets (continued)

Completed development projects	Acquired licenses	Acquired rights	Goodwill	Development projects in progress	Total
TDKK	TDKK	TDKK	TDKK	TDKK	TDKK

Development projects relates to all three solutions, being Life, Advice and Valuation. The majority of these projects are expected to be finalised in 2020. Development projects are recognised based on time recordings. For each project management have a planned business case. The projects are progressing as planned and it is expected that the projects will be sold to new and current customers.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK
Cost at 1 January	8,693	491	9,184
Additions for the year	1,327	169	1,496
Cost at 31 December	10,020	660	10,680
Impairment losses and depreciation at 1 January	6,792	355	7,147
Depreciation for the year	959	60	1,019
Impairment losses and depreciation at 31 December	7,751	415	8,166
Carrying amount at 31 December	2,269	245	2,514

8 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	0
Additions for the year	1,914
Cost at 31 December	1,914
Revaluations at 1 January	0
Revaluations at 31 December	0

Notes to the Financial Statements

8 Fixed asset investments (continued)

	Deposita TDKK
Impairment losses at 1 January	0
Impairment losses at 31 December	0
Carrying amount at 31 December	1,914

9 Contract work in progress

	2019 TDKK	2018 TDKK
Selling price of work in progress	0	1,175
Payments received on account	(9,203)	0
	(9,203)	1,175
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	0	1,175
Prepayments received recognised in debt	(9,271)	(23,153)
	(9,271)	(21,978)

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions as well.

11 Distribution of profit

Retained earnings	22,416	8,782
	22,416	8,782

Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
12 Provision for deferred tax		
Provision for deferred tax at 1 January	8,935	(213)
Amounts recognised in the income statement for the year	6,841	7,947
Amounts recognised in equity for the year	0	1,201
Provision for deferred tax at 31 December	<u>15,776</u>	<u>8,935</u>

13 Other provisions

Other provisions comprise provisions on entered contracts and covers disputes.

Other provisions	<u>7,495</u>	<u>0</u>
	<u>7,495</u>	<u>0</u>

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Other payables

Between 1 and 5 years	<u>3,504</u>	<u>0</u>
Long-term part	3,504	0
Other short-term payables	<u>21,316</u>	<u>25,339</u>
	<u>24,820</u>	<u>25,339</u>

15 Cash flow statement - adjustments

Financial income	(964)	(220)
Financial expenses	196	194
Depreciation, amortisation and impairment losses, including losses and gains on sales	21,351	19,545
Tax on profit/loss for the year	<u>7,069</u>	<u>5,085</u>
	<u>27,652</u>	<u>24,604</u>

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
16 Cash flow statement - change in working capital		
Change in receivables	(22,930)	4,174
Change in trade payables, etc	(7,281)	(1,724)
	<u>(30,211)</u>	<u>2,450</u>

17 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

The following securities have been provided for the purpose of financing by banks:

- First lien on (action) rights agreement for the sale of all shares in Keylane Group B.V., Keylane B.V. and underlying group companies.
- First lien on all business equipment, inventories, receivables, insurance, intellectual property rights and other assets of Keylane B.V. and all the underlying subsidiaries.

Each debtor has a joint liability agreement issued for the entire facility, consisting of loans and the overdraft.

Rental obligations

Rental obligations under operating leases. Total future lease payments:

Within 1 year	2,259	2,361
Between 1 and 5 years	0	249
	<u>2,259</u>	<u>2,610</u>

18 Related parties

Basis

Controlling interest

Keylane Group B.V., Varrolaan 60, 3584 BW Utrecht, The Netherlands	Majority shareholder
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Notes to the Financial Statements

18 Related parties (continued)

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Transactions with related parties are in the financial year carried out on arm's length basis.

Consolidated Financial Statements

The company is included in the Group Annual Report for the following companies:

<u>Name</u>	<u>Place of registered office</u>
Keylane Topholding B.V. (ultimate parent company)	Varrolaan 60 3584 BW Utrecht The Netherlands
Keylane Group B.V. (immediate parent company)	Varrolaan 60 3584 BW Utrecht The Netherlands

The Group Annual Report of Keylane Topholding B.V. and Keylane Group B.V. can be obtained at the above addresses.

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Keylane A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2019 are presented in TDKK.

Changes in accounting policies

In the financial year, the Company has reclassified production wages in the Income Statement to work on own account recognised in assets. Comparative figures have been changed accordingly. The changes have no effect on net profit/loss for the year, equity or the financial position. However, the gross profit/loss is positively affected in 2019 with TDKK 25,281 (2018: TDKK 30,600).

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

19 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, work on own account recognised in assets and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Licenses

Licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period; however not exceeding 3 years.

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

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. 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 5-10 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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

19 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

19 Accounting Policies (continued)

Other provisions include provisions on entered contracts and covers disputes. Provisions are measured and recognised based on the expected settlement amount.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Notes to the Financial Statements

19 Accounting Policies (continued)

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$