Configit A/S

Midtermolen 3, DK-2100 København Ø

Annual Report for 2023

CVR No. 25 33 15 32

The Annual Report was presented and adopted at the Annual General Meeting of the company on 24/6 2024

Bjørn Jurjans Moosgaard
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Configit A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

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.

Executive Board

Johan Carl Wilhelm Salenstedt
CEO

Board of Directors

Allan Jensen Vestergaard Chairman	Allan Bach Pedersen	Torben Brandt Munch
Michael Moesgaard Andersen	Max Sejbæk	

Independent Auditor's report

To the shareholder of Configit A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Configit A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company 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 Group´s and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 Group´s and the Parent 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 Group´s and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's report

Hellerup, 24 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen State Authorised Public Accountant mne18628	Jakob Thisted Binder State Authorised Public Accountant mne42816

Company information

The Company	Configit A/S Midtermolen 3 2100 København Ø CVR No: 25 33 15 32 Financial period: 1 January - 31 December Municipality of reg. office: København
Board of Directors	Allan Jensen Vestergaard, chairman Allan Bach Pedersen Torben Brandt Munch Michael Moesgaard Andersen Max Sejbæk
Executive Board	Johan Carl Wilhelm Salenstedt
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Group is described by the following financial highlights:

	Group				
	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit	85,153	59,278	81,254	72,222	98,975
Profit/loss of primary operations	-25,342	-49,226	-37,208	-40,611	-41,324
Profit/loss of financial income and expenses	-10,432	254	-5,793	-10,825	-2,228
Net profit/loss for the year	-35,911	-44,507	-38,640	-44,791	-33,536
Balance sheet					
Balance sheet total	105,078	108,369	150,087	115,344	138,223
Investment in property, plant and equipment	451	3,651	577	695	1,605
Investments in intangible assets	21,115	23,623	20,530	21,333	22,116
Invested capital	62,012	60,816	54,491	52,242	85,452
Equity	23,934	-10,037	38,485	11,398	59,193
Ratios					
Return on assets	-24.1%	-45.4%	-24.8%	-35.2%	-29.9%
Solvency ratio	22.8%	-9.3%	25.6%	9.9%	42.8%
Return on equity	-516.8%	-312.9%	-154.9%	-126.9%	-83.8%

A correction to equity has been made in 2020.

The Group

During 2023, the annual recurring revenue grew even stronger compared to 2022 and the demand for Configit's Cloud services far exceeded expectations.

Furthermore, various industry analysts confirmed that Configuration Lifecycle Management (CLM) is being more and more accepted by the market and that it will become mainstream in the near future. The Gartner Hype Cycle report positions CLM as a trending sector of software inside the manufacturing market.

Configit extended the market leadership in CLM through a Cloud offering which became the strongest selling offering in 2023 and was a key factor in winning several key strategic new accounts. In combination with the continued strong subscription sales, the transformation from perpetual and on- prem sales to subscription and Cloud is now completed.

This strategy has resulted in our annual recurring revenue from subscription and SaaS licenses growing with a factor higher than four times over the last four years, with compounded annual growth of total annual recurring revenue (subscription, SaaS & maintenance) of close to 30%. We expect the growth rate to continue at this level over the coming years fueled by more customers adopting CLM in the Cloud, both new customers and existing customers.

Configit has also successfully retained their ISO 27001 certification and obtained an ISO 27017 certification. With the new ISO 27017 certification, Configit provides assurance to their customers that the information processed in the cloud is secure. The audit and certification processes were performed by Intertek Certification Ltd. and conforms with international standards.

The International Organization for Standardization (ISO) is an independent, non-governmental, international body that develops standards to ensure the quality, safety, and efficiency of products, services, and systems. Issued and maintained by the ISO, the ISO 27000 standards are some of the most widely recognized and internationally accepted information security standards, with ISO 27001:2013 considered the highest standard of information security as it relates to customer data and ISO 27017:2022 as it relates to keeping their cloud customers safer.

Our corporate strategy was updated to reflect our leadership of CLM. The strategy highlights our ambition to extend the successes Configit has enjoyed in North America and it makes sure that Configit executes to its full potential through having both a strong direct sales team as well by building a first-class partner network.

In 2023, we further experienced keen interest from partners, including some of the world's leading System Integrators, more specialized partners, as well as several leading software vendors wanting to partner with Configit to enhance their offering based on the Configit technology.

The CLM Summit held in May 2023 was a huge success and attracted more than 300 leading individuals within the CLM universe. It was especially encouraging to experience the increased interest of analysts from Gartner, IDC and others, taking part both as delegates and guest speakers. Like at previous CLM Summits, many customers shared insightful and informative stories on how they have implemented CLM in their organizations, their realized business gains, and the many improvements they have enjoyed as a result.

Revenues for 2023 were up compared to 2022. The transformation of moving from perpetual licensing to subscription is now, as earlier mentioned, completed and this will be reflected in the increased revenue growth expected from 2024 and beyond.

A further sign of the important role that Configit plays in our customers' digital transformation is the high net revenue retention rate (NRR). During 2023 Configit had +110% NRR which is strong evidence of the loyalty and strong relationships Configit builds with our customers.

Overall, the Annual Recurring Revenue (ARR) grew +25% during 2023, giving Configit a strong foundation for future success.

At the end of 2022, Configit released our SaaS-enabled Cloud offering of CLM with the product name Ace. Overall, in 2023, the vast majority of new Ace customers chose Configit's "Ace in the Cloud" offering, and it is expected that this trend will continue in the coming years.

During 2023, Configit also experienced a growing interest from existing customers to move from historical on-prem solutions to Cloud. This is further evidence that the efforts and strategy to be a ‘Cloud First Company’ have proven right.

Being cloud-based allows for quicker deployment and more effective adaptation of technology, and for some customers, this is a pre-requisite before entering into a long-term vendor relationship.

With the improved macro economy, the technical debt of many customers, our growing partner landscape, and our expanding Cloud offering, Configit looks forward to 2024 with further improved offerings and to support the growing number of customers in need of complex configuration solutions.

The Group and parent company

The main activities of the Configit Group continue to be the development and sale of business software for configuration of products and services.

During 2023, the Group increased its research and development efforts in software that enables the implementation of true CLM solutions where the core of the software comprises the Virtual Tabulation® Technology patented by Configit. The Group further improved the Ace product in the Cloud (SaaS) offering which will strengthen Configit’s market position going forward.

Configuration Lifecycle Management continues to be the center of all marketing and sales activities in Configit and is expected to experience significant growth over the coming years. While CPQ, with its mature market, is still an important element in many CLM solutions, including being a lead generator for Configit, it only fulfills part of the needs of customers. Configit’s full CLM solution covers not only the sales side (CPQ), but also the engineering, production, and services side. This “full- circle” CLM offering is unique to Configit.

Key activities

The Group and parent company

The main activities of the Configit Group remain development and sale of business software for configuration of products and services.

Development in the year

The Group
The loss before tax for 2023 shows a result of DKK -35,773,419/ EUR -4,799,933 and an EBITDA of DKK -5,077,995/ EUR -681,354. The Group balance sheet as of 31 December 2023 shows an equity of DKK 23,933,826/ EUR 3,211,344 and an aggregate asset of DKK 105,078,314/ EUR 14,098,983. (The exchange rate used for DKK versus EUR is based on the official exchange rate from the Danish National Bank as published on 31st of December 2023.)

Management considers the financial result to be as originally expected at the start of the year, although EBITDA came in (9m DKK) below the expected result due to lower than expected revenues and cost in connection with the SaaS offering. Configit has increased its recurring revenue by 17% during 2023 and managed the cost to deliver as expected net result.

Parent company
The parent company’s loss before tax for 2023 shows a result of DKK -35.775.001 / EUR -4,800,145 and an EBITDA of DKK 18,046,105/ EUR 2,421,353. The parent balance sheet as of 31 December 2023 shows an equity of DKK 23,933,826/ EUR 3,211,344 and an aggregate balance sum of DKK 84,606,334/ EUR 11,352,136. (The exchange rate used for DKK versus EUR is based on the official exchange rate from the Danish National Bank as published on 31st of December 2023.)

Outlook

The Group
Management expects the investments and initiatives already executed to result in a positive trend in revenue and activity growth as Configit is transitioning to a subscription-based license model.

The Group also expects the CLM market to expand and grow, both in terms of market recognition and sales opportunities. The Configit Group will continue to prioritize maintaining its leadership within the CLM space and further advance Configit's position as the preferred supplier of complex configuration solutions to the world's most demanding configuration challenges.

Configit Group will further invest in the North American and European markets.

Configit continues to balance costs with the current revenue levels and the performance outlook and expect a positive EBITDA result for 2024. As 2024 is expected to see significant improvement on the annual result, the annual result is expected to be positive. The result in 2024 is expected to be between 1 mDKK to 5 mDKK.

Parent company:
Management expects a positive trend in the activity growth in 2024, both in the parent company as well as in its international subsidiaries.

Operating risks

The Group and parent company
The growth of Configit's business is based on a number of success criteria. Management believes the Group performs well in respect to these criteria. However, certain factors can impact the success of the Group and therefore represent a potential risk. Configit's management and board of directors consider the potential effects of the war in Ukraine and other international conflicts to be the most important.

The customers of Configit operate within the complex manufacturing space and in many different regions and countries across the globe. Therefore, there is a potential risk to our business in the situation where the war in Ukraine continues and other international conflicts escalate. The risk consists mainly of three different scenarios:

1)A slowdown in demand whereby the revenue for our customers decreases.
2)Continued challenges with high energy prices in Europe.
3)Delays in supplies of goods from areas affected by the conflicts or transportation through areas affected by the conflicts

The solution that Configit delivers is mission critical and will normally be prioritized, even during challenging periods, which has been proven during the last few years. While these conflicts have an effect on the business for Configit, it is hard to estimate the specific details of such an impact.

Market risks

1)The risk that the market for CLM and CPQ software is impacted by general market conditions, limiting the opportunities for growth for the Group.

2)The risk of competitors anticipating trends in the markets earlier than Configit, affecting a more structured expansion of their international distribution networks.

Through detailed market research and cooperation with analysts, Configit aims to be on the forefront of the development in the market in which Configit operates.

Corporate culture and know-how

1)The risk of failure to continue to attract, retain, and develop the best employees and failure to identify and incentivize the best management talent.

2)The risk of failure, in connection with acquisitions and expansion of new business areas, to integrate new employees into the organization and to maintain, protect, and continue Configit's strong corporate values as a fundamental element of business development.

Configit works to constantly be an attractive place to work with a clear value set and strategic direction.

Products

1)The risk that competitors' product innovation is better able to meet market requirements.

2)The risk of inadequate quality control and testing of the Group's products prior to the release of new software versions.

Through a clear product direction that is aligned with the market through customer forums and input from market analysts, Configit maintains a roadmap which is attractive to existing and potential customers alike.

Contract risks

The risk that the Group's customer contracts, or other agreements, impose abnormal obligations on Configit. This is the risk of failure to draft customer contracts and other agreements in a balanced way, taking into account local business practices, customers' legitimate requirements, as well as protection of the Group's material business interests.

IT environment

The risk of breakdown or temporary interruption of IT systems not adequately backed up by technical infrastructure that restores critical business IT services immediately.

Financial risk

The risk comprises currency risk, liquidity risk, and credit risk. The Group manages financial risk by ensuring sufficient procedures and controls are in place to ensure that potential losses from these risks are identified as early as possible.

Management continuously monitors the development of the identified risk factors and reports on these to the Board of Directors. This enables the Board to support management with their tasks and make the required decisions to handle the identified risks.

Research and development

The Group:
The Group has capitalized DKK 21,114,890 relating to the Group's research and development activities within the Company's normal product range. This corresponds to c. 24.8% of the Groups' gross profit. These activities are depreciated from the time of completion in a period corresponding to the expected time in which the activities will contribute positively to the Group's growth and earnings.

As the Group continues to invest in improvements of the Group's product portfolio, the depreciation period is estimated to be 5 years on average.

The value of the capitalized research and development activities is evaluated continuously. It is the Management's view that the value that is stated in the Annual report for 2023 is fair.

The Group expects these activities to contribute to the Group's continued growth and earnings.

Intellectual capital resources

The Group and parent company

The most significant knowledge resources are primarily the employees of the Group. The employees are generally highly educated specialists within software development, project management, and IT implementation, specifically focusing on configuration. The employees continue to contribute significantly to the Groups results in the coming years.

Statement of corporate social responsibility

Our Business
At Configit, our core mission is to empower our customers with cutting-edge software-as-a-service solutions that drive efficiency and innovation throughout their production processes. As manufacturing landscapes evolve, we recognize the increasing importance of configurable products and demand for customization options across various industries, from automobiles to industrial machinery.

Our flagship technology product Configit Ace - Configuration Lifecycle Management (CLM) - stands at the forefront of this trend, offering not only enhanced operational efficiency but also a pathway towards sustainable manufacturing practices. Through the concept of "green configuration" we empower our clients to enable their customers to make informed choices that prioritize environmental sustainability. By visualizing the ecological impact of configuration decisions, our technology aids businesses in aligning with their sustainability objectives, paving the way for a greener future.

Over the past year, we have redoubled our efforts to raise awareness of green configuration through a multifaceted approach, including insightful articles and blogs. Our dedication to promoting sustainable transformation in manufacturing underscores our belief in the pivotal role technology plays in fostering responsible production practices.

Transparency lies at the heart of what we do, as we strive to connect the benefits in our products to the environmental benefits and how they catalyze businesses on their journey towards sustainability. Collaborating closely with a diverse network of partners, Configit extends its reach across the globe, with headquarters in Denmark and subsidiaries in key regions such as the United Kingdom, Germany, and the United States.

As we embark on the next phase of our sustainability journey, Configit remains focused in our commitment to driving positive change within the manufacturing landscape.

At Configit, we also take responsibility for the way we operate our own business through focus on:

Our Responsibility

As the leader in Configuration Lifecycle Management, Configit is committed to providing global manufacturers transformative, business-critical solutions for the configuration of complex products in a sustainable, responsible way.
Our commitment is based on a fundamental respect for internationally recognized principles for sustainable development, human rights (including labor rights), the environment (including climate change), and economic sustainability (including anti-corruption).

We believe that Configit is among the first companies in our industry that implements the internationally agreed standard for responsible business conduct: The UN Guiding Principles for Business and Human Rights (UNGPs), covering social sustainability, and the OECD Guidelines for Multinational Enterprises (OECD), covering environmental and economic sustainability.

As part of our sustainability due diligence, we conduct annual impact assessments covering all our operations to identify our risks against the key elements of social, environmental, and economic sustainability, to outline our actions to prevent or mitigate identified risks, and to develop indicators to track the effectiveness of our actions.

Our responsibility for sustainable development is embedded in our “Commitment” that fulfills the requirements from UNGPs/OECD and the expectations of the Annual Accounts Act for a policy on human rights, that, per definition, covers labor rights and ‘social issues’, a policy for the environment, also covering climate change, and a policy for economic sustainability, including anti-corruption.

Similarly, our Commitment and sustainability due diligence processes cover “data ethics”, defined as risks of adverse impacts on basic rights stemming from handling and processing data.

In addition to implementing the international standard for responsible business conduct, Configit expects the same from our business relationships. As we, per definition, are responsible for the adverse impacts of our business relationships, the most effective way to seek to prevent or mitigate such impacts, will be that our business relationships also meet the standard. And that they raise a similar demand to their business relationships.

For this purpose, we have adopted and published our Code of Conduct for Business Relationships.

Social Sustainability - Respect for Human Rights

Configit’s Corporate Commitment to sustainability is aligned with the UNGPs. As part of our efforts to demonstrate human rights due diligence, we prepared an update of our human rights impact assessment covering our Headquarters in Copenhagen and our Danish activities.

In our draft impact assessment, we identified 21 risks of impacts on 14 of the 48 human rights in the International Bill of Human Rights. Not surprisingly, our risks of severe impact were identified in relation to three human rights: right to privacy, intellectual property rights, and freedom of information.

We continuously work to prevent or mitigate our impacts in these essential areas. In addition, we are preventing or mitigating our risks in the other identified areas to ensure that such risks do not evolve into severe impacts.

We welcome persons, that may be at risk of experiencing impacts, or business relationships, that would have an interest in looking into our actions and how we measure effectiveness of our actions, to contact us.

In addition, we found that our products hold the capacity to contribute considerably to the human right of ’freedom of information.’ We intend, in 2024, to better explore, how our products contribute to the fulfillment of freedom of information. We will approach this task by considering our contribution to three of the key elements defining human rights, namely: Availability, Accessibility and Quality.

Management's review

Social and Staff Matters

Configit's employees are the backbone of the company, and their well-being, health, and safety in the workplace are crucial to our success as a business. All these areas are covered by our human rights impact assessments and thus covered by our Commitment and annual sustainability due diligence process.

Dignity and respect are core concepts in Configit. For all our employees, the Global Staff Manual is an essential part of the employment contract. It includes all our policies, which are reviewed annually as a minimum. The Staff Manual also includes our values and is available on our intranet.

All new employees are introduced to our Commitment, and to the Global Staff Manual, during onboarding training. This is also checked as part of our external ISO Audit. Furthermore, Configit carries out an engagement survey annually for all employees to maintain and further develop a safe and healthy working environment.

Statutory Report on the Gender Composition of Management

We are committed to respecting human rights. This implies that we shall ensure equal opportunities for promotion for our employees at all levels of our business. We are aware that women are underrepresented on the Board of Directors and in the Executive Management Team. As of 31 December 2023, we have no women and five men on the Board of Directors. With our owners' focus on women in management, Configit has the target to have at least one representative of the underrepresented gender on the Board of Directors before the end of 2024.

Our focus has enabled that the representation of women in the top management has grown since 2019. Thus, Configit currently has two women and five men in the Executive Management Team. To mitigate underrepresentation, we strive to find suitable female candidates when recruiting for open positions at Configit. While qualification is the highest priority, we ensure that candidates of all genders are equally considered during the hiring process through dialogue between management, HR, and the hiring manager. At the end of 2023, 26% of the total staff were women, a decrease of 1% since 2023. In 2023, we added 2 female managers to the middle manager level – which is an increase from 2022 of 11%.

Environmental Sustainability – including the Climate

Configit's commitment to responsible business conduct encompasses due diligence for environmental impacts, including impacts on the climate. Our commitment to implement the OECD Guidelines means that we continuously identify where we are at risk of impacting the environment.

We found that we are not at risk of causing or contributing to material impacts, but, as all businesses should, we have a focus on reducing CO2 emissions. We are also proud that our products hold the potential to contribute to reducing CO2 emissions for our customers, e.g., by enabling more efficient communication between sales and production and by eliminating manufacturing errors resulting from faulty configurations.

Economic Sustainability – including Anti-corruption

Responsible business conduct entails that Configit also commits to due diligence in relation to economic sustainability, hereunder "anti-corruption." We implement the OECD Guidelines in all areas of our business. In our first impact assessments, and our draft re-assessment, we covered our activities in Denmark and identified few risks related to economic sustainability, hereunder "corruption and bribery."

Like other businesses, we prevent and mitigate risks in relation to, e.g., cronyism and nepotism, as well as risks associated with disproportionately large gifts. During 2020 we implemented appropriate procedures in this area, and we have not met any challenges in this area during our annual impacts assessments.

Management's review

Key Performance Indicators

Result of Key Performance Indicators for 2023:
1. Conduct impact assessments for one new location as part of our due diligence.
- We prepared our updated re-assessments covering 2022 for our Danish operations but decided to postpone the inclusion of all our international operations for the re-assessments to be conducted in 2024 covering both 2023 and 2024.

2.Establish reduction targets for GHG emissions.
-Achieved

3.Establish Key Performance Indicator (KPI) for "Freedom of Information."
-KPI: Prepare brief to top management on how our products contribute to the fulfilment of 'freedom of information' in relation to the key parameters: Availability, Accessibility and Quality.

4.Carry through annual re-assessments in Denmark as part of our due diligence.
-The annual re-assessments in 2023, covering 2022, were prepared in draft form.

Key Performance indicators for 2024

1.Conduct impact re-assessments for Denmark for 2023 and 2024 covering our global operations.
2.Prepare brief to top management on 'freedom of information' as strategic opportunity.
3.Prepare plan for communication and involvement of internal stakeholders
4.Start preparing for reporting against the EU Corporate Sustainability Reporting Directive

Company information

The primary owners are Polaris Private Equity who have the majority vote, and who are represented at the Board of Directors.

The Board of Directors held 5 ordinary board meetings during the financial year. These have been held both virtually through video conference and in person. Furthermore, a number of meetings have been held during the year covering specific topics including strategy updates, various oversight of projects, and general business updates.

The Group Management makes monthly financial reports and follows up on recorded differences to the forecast and budget on a regular basis. Periodic cashflow forecasts are made based on current expectations for receipts and payments in order to manage and follow up on liquidity. This work is reviewed by the Board of Directors.

The Board has not established any separate formal committees (e.g., remuneration committee or audit committee) due to the size of the company. The Board regularly assesses whether such committees are required in order to ensure adequate focus on e.g. risk management.

Ownership

Configit Holding A/S is owned approx. 57% by Polaris Private Equity. The following companies own more than 5% of the share capital:
-Andersen Advisory Group A/S, CVR-no. 15 27 37 71
-Damgaard Company A/S, CVR- no. 25 53 83 15
-HRA ApS, CVR- no. 33 39 05 64

Polaris Private Equity is a member of Active Owners Denmark (formerly called the Danish Venture Capital and Private Equity Association (DVCA)) and therefore Configit adheres to the guidelines and recommendations published by Active Owners Denmark and comments if any recommendations are not followed. For further information please refer to www.aktiveejere.dk.

Management's review

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

		Group		Parent company	
	Note	2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Gross profit		**85,153,353**	**59,278,326**	**62,049,060**	**35,950,800**
Staff expenses	2	-90,231,348	-89,196,012	-44,002,955	-38,068,508
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	3	-20,263,799	-19,307,946	-21,817,889	-21,467,220
Profit/loss before financial income and expenses		**-25,341,794**	**-49,225,632**	**-3,771,784**	**-23,584,928**
Income from investments in subsidiaries		0	0	-40,842,486	-37,793,315
Financial income	4	448,455	4,162,949	18,279,347	16,908,610
Financial expenses	5	-10,880,080	-3,908,788	-9,440,078	-4,501,357
Profit/loss before tax		**-35,773,419**	**-48,971,471**	**-35,775,001**	**-48,970,990**
Tax on profit/loss for the year	6	-137,930	4,464,217	-136,348	4,463,736
Net profit/loss for the year	7	**-35,911,349**	**-44,507,254**	**-35,911,349**	**-44,507,254**

Balance sheet 31 December

Assets

		Group		Parent company	
	Note	2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Completed development projects		57,394,374	55,433,818	59,958,609	58,737,355
Acquired other similar rights		0	0	0	0
Intangible assets	8	**57,394,374**	**55,433,818**	**59,958,609**	**58,737,355**
Other fixtures and fittings, tools and equipment		1,906,277	2,414,132	1,649,952	2,092,296
Leasehold improvements		865,066	1,122,063	807,769	937,106
Property, plant and equipment	9	**2,771,343**	**3,536,195**	**2,457,721**	**3,029,402**
Investments in subsidiaries	10	0	0	0	1,813,429
Other receivables	11	1,846,315	1,846,315	1,397,092	1,397,092
Fixed asset investments		**1,846,315**	**1,846,315**	**1,397,092**	**3,210,521**
Fixed assets		**62,012,032**	**60,816,328**	**63,813,422**	**64,977,278**
Trade receivables		26,201,363	27,812,762	15,652,909	18,248,367
Receivables from group enterprises		0	0	0	1,707,858
Other receivables		0	6,338	0	13,803
Deferred tax asset	12	0	5,636,348	0	5,636,348
Prepayments	13	3,373,345	2,017,987	3,373,345	2,289,290
Receivables		**29,574,708**	**35,473,435**	**19,026,254**	**27,895,666**
Cash at bank and in hand		**13,491,574**	**12,079,616**	**1,766,658**	**1,071,116**
Current assets		**43,066,282**	**47,553,051**	**20,792,912**	**28,966,782**
Assets		**105,078,314**	**108,369,379**	**84,606,334**	**93,944,060**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2023	Group 2022	Parent company 2023	Parent company 2022
		DKK	DKK	DKK	DKK
Share capital	14	41,807,783	41,806,783	41,807,783	41,806,783
Reserve for development costs		0	0	46,659,606	45,815,137
Retained earnings		-17,873,957	-51,843,659	-64,533,563	-97,658,796
Equity		**23,933,826**	**-10,036,876**	**23,933,826**	**-10,036,876**
Provisions relating to investments in group enterprises		0	0	211,503	1,140,915
Provisions		**0**	**0**	**211,503**	**1,140,915**
Other payables		6,371,180	6,363,502	6,371,180	6,363,502
Long-term debt	15	**6,371,180**	**6,363,502**	**6,371,180**	**6,363,502**
Credit institutions		16,686,764	12,349,341	16,677,758	12,340,582
Trade payables		12,454,425	6,191,355	11,865,045	5,527,058
Payables to group enterprises		5,561,726	46,764,237	7,991,980	46,764,237
Other payables	15	13,627,668	27,915,413	8,237,023	25,254,545
Deferred income	16	26,442,725	18,822,407	9,318,019	6,590,097
Short-term debt		**74,773,308**	**112,042,753**	**54,089,825**	**96,476,519**
Debt		**81,144,488**	**118,406,255**	**60,461,005**	**102,840,021**
Liabilities and equity		**105,078,314**	**108,369,379**	**84,606,334**	**93,944,060**

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Statement of changes in equity

Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	41,806,783	-51,843,659	-10,036,876
Capital increase	1,000	44,999,000	45,000,000
Capital conversion	0	20,000,000	20,000,000
Net profit/loss for the year	0	-31,029,298	-31,029,298
Equity at 31 December	**41,807,783**	**-17,873,957**	**23,933,826**

Parent company

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	41,806,783	45,815,137	-97,658,796	-10,036,876
Capital increase	1,000	0	44,999,000	45,000,000
Capital conversion	0	0	20,000,000	20,000,000
Development costs for the year	0	844,469	-844,469	0
Net profit/loss for the year	0	0	-31,029,298	-31,029,298
Equity at 31 December	**41,807,783**	**46,659,606**	**-64,533,563**	**23,933,826**

Cash flow statement 1 January - 31 December

		Group	
	Note	2023	2022
		DKK	DKK
Result of the year		-35,911,349	-44,507,254
Adjustments	17	55,715,405	5,496,876
Change in working capital	18	-141,978	7,664,831
Cash flow from operations before financial items		**19,662,078**	**-31,345,547**
Financial income		448,455	4,162,958
Financial expenses		-10,880,080	-3,908,788
Corporation tax received		5,498,418	3,344,686
Cash flows from operating activities		**14,728,871**	**-27,746,691**
Purchase of intangible assets		-21,114,890	-23,622,798
Purchase of property, plant and equipment		-344,613	-2,974,657
Fixed asset investments made etc		0	964,587
Cash flows from investing activities		**-21,459,503**	**-25,632,868**
Repayment of payables to group enterprises		-41,202,511	6,304,494
Raising of loans from credit institutions		4,337,423	0
Raising of other long-term debt		7,678	0
Cash capital increase		45,000,000	0
Cash flows from financing activities		**8,142,590**	**6,304,494**
Change in cash and cash equivalents		**1,411,958**	**-47,075,065**
Cash and cash equivalents at 1 January		12,079,616	59,154,681
Cash and cash equivalents at 31 December		**13,491,574**	**12,079,616**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		13,491,574	12,079,616
Cash and cash equivalents at 31 December		**13,491,574**	**12,079,616**

Notes to the Financial Statements

1. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

2. Staff Expenses

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Wages and salaries	102,844,640	102,746,369	61,779,038	59,786,057
Pensions	772,222	848,251	0	0
Other social security expenses	2,893,234	4,130,879	533,257	539,799
Other staff expenses	4,836,142	5,093,305	3,639,919	3,362,415
	111,346,238	112,818,804	65,952,214	63,688,271
Transfer to production wages	-21,114,890	-23,622,792	-21,949,259	-25,619,763
	90,231,348	**89,196,012**	**44,002,955**	**38,068,508**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	**118**	**129**	**68**	**69**

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

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Amortisation of intangible assets	19,154,334	18,436,257	20,728,005	20,836,257
Depreciation of property, plant and equipment	1,109,465	871,689	1,089,884	630,963
	20,263,799	**19,307,946**	**21,817,889**	**21,467,220**

Notes to the Financial Statements

4. Financial income

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Interest received from group enterprises	0	0	18,249,725	12,788,153
Other financial income	63,590	18,049	29,622	16,194
Exchange gains	384,865	4,144,900	0	4,104,263
	448,455	**4,162,949**	**18,279,347**	**16,908,610**

5. Financial expenses

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Interest paid to group enterprises	3,416,533	3,052,706	3,754,487	3,713,075
Other financial expenses	850,688	856,082	1,218,986	788,282
Exchange loss	6,612,859	0	4,466,605	0
	10,880,080	**3,908,788**	**9,440,078**	**4,501,357**

6. Income tax expense

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Current tax for the year	1,582	12,580	0	13,061
Deferred tax for the year	0	-4,476,797	0	-4,476,797
Adjustment of deferred tax concerning previous years	136,348	0	136,348	0
	137,930	**-4,464,217**	**136,348**	**-4,463,736**

7. Profit allocation

	Parent company	
	2023	2022
	DKK	DKK
Transfer for the year to other reserves	-4,882,051	0
Retained earnings	-31,029,298	-44,507,254
	-35,911,349	**-44,507,254**

8. Intangible fixed assets

	Group		Parent company	
	Completed development projects	Acquired other similar rights	Completed development projects	Acquired other similar rights
	DKK	DKK	DKK	DKK
Cost at 1 January	209,758,115	310,385	253,182,883	2,658,579
Additions for the year	21,114,890	0	21,949,259	0
Cost at 31 December	230,873,005	310,385	275,132,142	2,658,579
Impairment losses and amortisation at 1 January	154,324,297	310,385	194,445,528	2,658,579
Amortisation for the year	19,154,334	0	20,728,005	0
Impairment losses and amortisation at 31 December	173,478,631	310,385	215,173,533	2,658,579
Carrying amount at 31 December	**57,394,374**	**0**	**59,958,609**	**0**

The Group's development projects comprise development of new functionality in the Group's product portfolio (Ace, Model, Build and Quote) as well as development of cloudbased solutions/products. The projects are progressing as planned, and the cost are capitalized on an ongoing basis. The individual projects are amortised over the shorter of the sellable life of product or 5 years. The amortisation begins at completion. Market research and customer interest show an increased interest for the key competences of the Group – development and research in software that enables implementation of CLM (Configuration Lifecycle Management) the core of which is the patented technology of the parent company Configit A/S.

9. Property, plant and equipment

	Group		Parent company	
	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Other fixtures and fittings, tools and equipment	Leasehold improve-ments
	DKK	DKK	DKK	DKK
Cost at 1 January	10,246,500	1,944,562	8,200,017	1,122,563
Additions for the year	346,476	104,660	413,543	104,660
Disposals for the year	0	-106,523	0	0
Cost at 31 December	10,592,976	1,942,699	8,613,560	1,227,223
Impairment losses and depreciation at 1 January	7,832,368	822,499	6,107,721	185,457
Depreciation for the year	854,331	255,134	855,887	233,997
Impairment losses and depreciation at 31 December	8,686,699	1,077,633	6,963,608	419,454
Carrying amount at 31 December	**1,906,277**	**865,066**	**1,649,952**	**807,769**

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
10. Investments in subsidiaries				
Cost at 1 January	816,725	0	1,008,555	867,830
Net effect from merger and acquisition	0	0	0	-676,000
Cost at 31 December	816,725	0	1,008,555	191,830
Value adjustments at 1 January	0	0	-136,798,856	-89,325,616
Net effect from merger and acquisition	0	0	0	-4,402,195
Net profit/loss for the year	-816,725	0	-40,842,485	-38,604,335
Other equity movements, net	0	0	-1,565,630	-4,014,499
Change in intercompany profit	0	0	2,659,290	-452,211
Value adjustments at 31 December	-816,725	0	-176,547,681	-136,798,856
Equity investments with negative net asset value amortised over receivables	0	0	175,539,126	138,420,455
Carrying amount at 31 December	**0**	**0**	**0**	**1,813,429**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Configit Inc.	USA	100%
Configit GmbH	DE	100%
Configit Ltd.	UK	100%

11. Other fixed asset investments

	Group	Parent company
	Other receivables	Other receivables
	DKK	DKK
Cost at 1 January	1,846,315	1,397,092
Cost at 31 December	1,846,315	1,397,092
Carrying amount at 31 December	**1,846,315**	**1,397,092**

12. Deferred tax asset

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Deferred tax asset at 1 January	5,636,348	4,516,817	5,636,348	4,516,817
Amounts recognised in the income statement for the year	0	5,636,348	0	5,636,348
Amounts recognised in equity for the year	-5,636,348	-4,516,817	-5,636,348	-4,516,817
Deferred tax asset at 31 December	**0**	**5,636,348**	**0**	**5,636,348**

13. Prepayments

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

14. Share capital

The share capital consists of 41,807,783 shares of a nominal value of DKK 1. No shares carry any special rights.

15. 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:

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Other payables				
After 5 years	6,371,180	6,363,502	6,371,180	6,363,502
Long-term part	6,371,180	6,363,502	6,371,180	6,363,502
Other short-term payables	13,627,668	27,915,413	8,237,023	25,254,545
	19,998,848	**34,278,915**	**14,608,203**	**31,618,047**

16. Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

17. Cash flow statement - Adjustments

	Group	
	2023	2022
	DKK	DKK
Financial income	-448,455	-4,162,949
Financial expenses	10,880,080	3,908,788
Depreciation, amortisation and impairment losses, including losses and gains on sales	20,263,799	19,307,946
Tax on profit/loss for the year	137,930	-4,464,217
Other adjustments	24,882,051	-9,092,692
	55,715,405	**5,496,876**

Other adjustments include a debt conversion of DKK 20,000,000 and exchange adjustments of DKK 4,882,051.

18. Cash flow statement - Change in working capital

	Group 2023	Group 2022
	DKK	DKK
Change in receivables	262,379	2,086,561
Change in trade payables, etc	-404,357	5,578,270
	-141,978	**7,664,831**

19. Contingent assets, liabilities and other financial obligations

	Group 2023	Group 2022	Parent company 2023	Parent company 2022
	DKK	DKK	DKK	DKK

Charges and security

The following assets have been placed as security with mortgage credit institutes:
Company pledge, nominal tDKK 20,000, in the company's intangible assets, other fixtures and debtors has been deposited as collateral with a credit institution.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	Group 2023	Group 2022	Parent company 2023	Parent company 2022
There has entered into operating lease of premises (TDKK).	11,315	16,744	10,575	13,661
	11,315	**16,744**	**10,575**	**13,661**

Guarantee obligations

In accordance with Section 479A of the Companies Act 2006, the subsidiary company Configit Limited (UK company number 07883893) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of guarantee provided by Configit A/S.

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK

19. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Configit Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

20. Related parties and disclosure of consolidated financial statements

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.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Configit Holding A/S	Copenhagen

Notes to the Financial Statements

21. Accounting policies

The Annual Report of Configit A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Configit A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

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

Income statement

Revenue

As income recognition criterion for sale of services, the production criterion is applied. Revenue comprises the invoiced revenue for the year reduced by prepayments and with addition for work in progress measured at market value.

As income recognition criterion for license sales, the sales method is applied. Revenue is recognised in the income statement when delivery is made and risk has been transferred to the buyer before the end of the financial year.

As income recognition criterion for sale of support and maintenance, the sales method is applied. Revenue is recognised over the contract period regarding support and maintenance and therefore deferred revenue is recognised within the balance sheet.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

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

Notes to the Financial Statements

Amortisation, depreciation and impairment losses

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

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 5 years, determined on the basis of Management's experience with the individual business areas.

Development projects

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

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	5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other 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.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group'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 Group's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

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

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.

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Return on assets	Profit/loss of ordinary primary operations x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity