



e-boks A/S

Hans Bekkevolds Alle 7, 1.
2900 Hellerup
CVR No. 25674154

Annual report 2020

The Annual General Meeting adopted the
annual report on 03.03.2021

Carina Bansholt Oxfeldt

Chairman of the General Meeting

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Entity details

Entity

e-boks A/S

Hans Bekkevolds Alle 7, 1.

2900 Hellerup

CVR No.: 25674154

Registered office: Gentofte

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Pia Ingrid Jørgensen, Chairman

Henrik Malling

Peter Kjær Jensen

Martin Skov Trollegaard

Executive Board

Ulrik Thagesen

Jesper Lind Breum

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of e-boks A/S for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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

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

Hellerup, 03.03.2021

Executive Board

Ulrik Thagesen

Jesper Lind Breum

Board of Directors

Pia Ingrid Jørgensen
Chairman

Henrik Malling

Peter Kjær Jensen

Martin Skov Trollegaard

Independent auditor's report

To the shareholders of e-boks A/S

Opinion

We have audited the financial statements of e-boks A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Copenhagen, 03.03.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Sten Peters

State Authorised Public Accountant
Identification No (MNE) mne11675

Ane Sachs Aasand

State Authorised Public Accountant
Identification No (MNE) mne42783

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures				
Revenue	266,668	231,044	211,874	188,816
Gross profit/loss	114,369	102,808	75,390	89,745
Operating profit/loss	45,596	50,910	22,241	37,363
Net financials	(430)	(393)	625	120
Profit/loss for the year	41,055	39,459	17,707	19,968
Total assets	310,517	217,861	147,067	107,301
Investments in property, plant and equipment	30	1,847	38	0
Equity	122,179	81,069	41,723	36,227
Cash flows from (used in) operating activities	91,342	77,452	44,291	20,041
Cash flows from (used in) investing activities	(37,433)	(61,498)	(53,334)	(15,103)
Ratios				
Gross margin (%)	42.89	44.50	35.58	47.53
EBIT margin (%)	17.10	22.03	10.50	19.79
Net margin (%)	15.40	17.08	8.36	10.58
Equity ratio (%)	39.35	37.21	28.37	33.76

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

EBIT margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Revenue

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

e-Boks helps individuals, companies, and institutions to digitally interact, communicate and service themselves effectively and securely through our platforms. Companies and institutions are our partners and together we create better secure digitalization where the users are in control.

Development in activities and finances

In 2020, the realised result for the e-Boks were DKK 41 million and the equity totalled DKK 122 million. The result is within expectations of 30-40 million stated in annual report 2019.

While document price only have been adjusted for inflation, there has been an increase in the total revenue both organically from existing markets and the addition of a new country solution – all as expected in the 2019 Financial Statements. The total cost was above expected due to delay in the mainframe migration, but due to savings on fixed cost the Operating Profit is in line with expectations set out last year.

Markets

The economic trend only has a minor effect on net revenue and profit as the total number of digitally sent documents from companies and institutions is not greatly affected by these trends. e-Boks has partners in many sectors. The primary share of partners being in the financial sector followed by the public sector.

Outlook

The revenue in current markets is expected to decrease due to the loss of the tender of developing and handling the New generation Digital Post for the Danish Government. The impact of the loss of the tender will occur in 2021. Though the combination of revenue from new markets with a high demand and decrease of production costs due the completion of the mainframe migration, will have a positive impact on the operating profit, expected to reach a level of 50-60 MDKK for 2021.

e-Boks do not see any significant impact from the COVID-19 situation. The business activity is on normal level – thought indirect the situation has impacted the organization and normal ways of working.

Security

It is crucial for e-Boks to keep a high security standard when handling and storing personal data for all users. e-Boks' solution has a high level of security to meet the expectations from all users and keep their trust. The daily operation and performance of systems are anticipated to run smoothly and secure. Performance and penetration tests are performed regularly by external partners from leading consultancies. Internal security is managed by a 27001:2013 compliant ISMS and all security features are annually audited by external partners to meet all security expectations and to mitigate any potential risks.

Employees

Throughout 2020, competent and experienced employees have been added to the staff. It is of great importance that e-Boks continuously recruit highly skilled and well-educated labour to further develop and optimize our solutions to keep our current position on the market and provide better solutions for companies and institutions.

Environmental performance

As e-Boks is a digital based company the direct environmental impact is low. e-Boks works with suppliers and customers to lower the indirect impact on the environment.

Research and development activities

e-Boks is being used in a growing number of countries, thus the understanding of both the users' and costumers' needs are crucial for the contentious expansion. This understanding is provided by an ongoing

analysis of usage along with user feedback and reactions. The constant assurance of a high security level and high degree of stability of the critical infrastructure solutions such as signing, payment and two-way encrypted communication, are important factors to maintain the trust of all users and customers. As a result, constant monitoring, optimization, and development of these services are ongoing to meet the expected growth.

Group relations

e-Boks has in the year closed the subsidiaries in Sweden and Norway and instead established branch offices. This provides a more simple and cost-effective structure. There is no effect on customer service and go to market strategy.

Foreign branches

The foreign branches related to the e-Boks A/S is included in the financial statement for the company. The following branches are included in the financial statement:

- Norway
- Sweden

Events after the balance sheet date

To support the company's international ambitions, it has been agreed during 2020 that the company will restructure. This means the transfer of IP rights, contracts, employees and etc.

The restructuring provides a better risk mitigation for the company. This will have no effect on customer service or go to market strategy.

Doing the restructuring the international joint taxation will be revised. The lock-in period ends with the tax year 2020, current calculation estimates a tax income of 15-18MDKK. Actual re-taxation balance will be calculated in 2021 and based on this the company will evaluate its position.

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

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue		266,668	231,044
Other external expenses		(152,299)	(128,236)
Gross profit/loss		114,369	102,808
Staff costs	2	(63,437)	(51,144)
Depreciation, amortisation and impairment losses	3	(5,336)	(754)
Operating profit/loss		45,596	50,910
Income from investments in group enterprises		(217)	140
Other financial income	4	1,456	881
Other financial expenses	5	(1,886)	(1,274)
Profit/loss before tax		44,949	50,657
Tax on profit/loss for the year	6	(3,894)	(11,198)
Profit/loss for the year	7	41,055	39,459

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	9	26,304	24,288
Development projects in progress	9	140,259	103,321
Intangible assets	8	166,563	127,609
Leasehold improvements		1,263	1,640
Property, plant and equipment	10	1,263	1,640
Investments in group enterprises		0	6,728
Deposits		1,146	1,116
Other financial assets	11	1,146	7,844
Fixed assets		168,972	137,093
Trade receivables		32,219	29,432
Receivables from group enterprises		17	6
Other receivables		3,207	20
Tax receivable		2,041	3,831
Receivables from owners and management	12	13,264	10,252
Prepayments	13	2,063	2,573
Receivables		52,811	46,114
Cash		88,734	34,654
Current assets		141,545	80,768
Assets		310,517	217,861

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	14	12,000	12,000
Reserve for development expenditure		129,919	99,535
Retained earnings		(19,740)	(30,466)
Equity		122,179	81,069
Deferred tax	15	48,990	43,553
Other provisions	16	8,742	7,381
Provisions		57,732	50,934
Trade payables		86,967	38,696
Other payables		0	1,940
Non-current liabilities other than provisions	17	86,967	40,636
Current portion of non-current liabilities other than provisions	17	6,000	0
Prepayments received from customers		0	1,646
Trade payables		12,979	24,102
Payables to group enterprises		0	6,610
Other payables		24,660	12,864
Current liabilities other than provisions		43,639	45,222
Liabilities other than provisions		130,606	85,858
Equity and liabilities		310,517	217,861
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Related parties with controlling interest	21		
Transactions with related parties	22		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	12,000	99,535	(30,466)	81,069
Exchange rate adjustments	0	0	55	55
Transfer to reserves	0	30,384	(30,384)	0
Profit/loss for the year	0	0	41,055	41,055
Equity end of year	12,000	129,919	(19,740)	122,179

Cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		45,596	50,910
Amortisation, depreciation and impairment losses		5,336	754
Other provisions		1,360	(1,914)
Working capital changes	18	36,259	21,701
Cash flow from ordinary operating activities		88,551	71,451
Financial income received		1,183	881
Financial expenses paid		(1,715)	(1,274)
Taxes refunded/(paid)		3,323	6,394
Cash flows from operating activities		91,342	77,452
Acquisition etc of intangible assets		(43,914)	(60,835)
Acquisition etc of property, plant and equipment		(30)	(1,847)
Sale of fixed asset investments		6,511	1,184
Cash flows from investing activities		(37,433)	(61,498)
Free cash flows generated from operations and investments before financing		53,909	15,954
Increase/decrease in cash and cash equivalents		53,909	15,954
Cash and cash equivalents beginning of year		34,654	18,700
Currency translation adjustments of cash and cash equivalents		171	0
Cash and cash equivalents end of year		88,734	34,654
Cash and cash equivalents at year-end are composed of:			
Cash		88,734	34,654
Cash and cash equivalents end of year		88,734	34,654

Notes

1 Events after the balance sheet date

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

2 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	67,589	56,688
Pension costs	6,191	5,364
Other social security costs	585	551
	74,365	62,603
Staff costs classified as assets	(10,928)	(11,459)
	63,437	51,144
Average number of full-time employees	88	77

	Remuneration of management 2020 DKK'000	Remuneration of management 2019 DKK'000
Executive Board	3,838	4,017
	3,838	4,017

Management remuneration depends on annually bonus

3 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	4,959	509
Depreciation of property, plant and equipment	377	245
	5,336	754

4 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	0	1
Other interest income	11	3
Exchange rate adjustments	1,445	877
	1,456	881

5 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	0	194
Other interest expenses	409	192
Exchange rate adjustments	1,433	856
Other financial expenses	44	32
	1,886	1,274

6 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	(1,316)	(2,939)
Change in deferred tax	5,437	14,137
Adjustment concerning previous years	(227)	0
	3,894	11,198

7 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	41,055	39,459
	41,055	39,459

8 Intangible assets

	Completed development projects DKK'000	Development projects in progress DKK'000
Cost beginning of year	47,715	103,321
Transfers	6,975	(6,975)
Additions	0	43,913
Cost end of year	54,690	140,259
Amortisation and impairment losses beginning of year	(23,427)	0
Amortisation for the year	(4,959)	0
Amortisation and impairment losses end of year	(28,386)	0
Carrying amount end of year	26,304	140,259

9 Development projects

The addition for the year regarding development projects in process relates to an upgrade of the Company's IT infrastructure as well as different product and go to market initiatives. It also includes continuous development of the new platform completed last year.

The upgrade of the IT infrastructure is expected to be completed in 2021. This will increase the scalability of the e-Boks solution and improve the "time to market" for new products. An overall cost saving is expected to take

effect from completion.

The completed development project for the year relates to the development of a new sender platform for sending documents in the the e-Boks solution.

The new sending platform has been developed to support smaller business that are currently not using e-Boks.

10 Property, plant and equipment

	Leasehold improvements DKK'000
Cost beginning of year	1,885
Cost end of year	1,885
Depreciation and impairment losses beginning of year	(245)
Depreciation for the year	(377)
Depreciation and impairment losses end of year	(622)
Carrying amount end of year	1,263

11 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	84,734	1,116
Additions	0	30
Disposals	(84,734)	0
Cost end of year	0	1,146
Impairment losses beginning of year	(78,006)	0
Reversal regarding disposals	78,006	0
Impairment losses end of year	0	0
Carrying amount end of year	0	1,146

12 Receivables from owners and management

Receivables from owners and management consist entirely of trading accounts with the company's owners, Nets Danmark A/S and Post Danmark A/S and subsidiaries hereof.

13 Prepayments

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

14 Share capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	12,000,000	1	12,000
	12,000,000		12,000

15 Deferred tax

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	43,553	29,649
Recognised in the income statement	5,437	13,904
End of year	48,990	43,553

Deferred tax regarding financial and tangible fixed assets as well as liabilities

16 Other provisions

In dealing with user documents, the Company has undertaken a commercial obligation to storage the documents for a minimum of 5 years from the year of creation. The liability is calculated at DKK 8,742 thousand.

17 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Trade payables	6,000	86,967	38,967
	6,000	86,967	38,967

18 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in receivables	(7,612)	2,476
Increase/decrease in trade payables etc	43,871	19,225
	36,259	21,701

19 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	7,616	12,704

20 Contingent liabilities

The Company serves as the administration company in an international joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

The Company is party to some disputes. Management is of the opinion that the outcome of the cases will not result in losses, other than what is included in the financial statements.

21 Related parties with controlling interest

Related parties with controlling influence consist of the Company's Management and the Board of Directors. Other related parties with whom e-Boks A/S has had transactions in 2020 are:

Subsidiaries:

- o e-Boks AS
- o e-Boks AB

Branches:

- o e-Boks Norway, branch of e-Boks A/S
- o e-Boks Sweden, branch of e-Boks A/S

Businesses in which the Group's ownership circle directly or indirectly has a significant influence

- o Post Danmark A/S
- o Nets Danmark A/S

22 Transactions with related parties

In the annual report only discloses related party transactions that have not been completed on a normal basis market conditions. No such transactions have been completed during the financial year.

Accounting policies

Reporting class

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

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The parent company is jointly taxed with all Danish and foreign affiliated companies. The actual Danish corporation tax is distributed among the jointly taxed companies in relation to their taxpayers' income (full

distribution with reimbursement regarding tax losses).

Balance sheet

Intellectual property rights etc

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

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

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

Indirect production costs in 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. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

Property, plant and equipment

Leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Leasehold improvements	5 years
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Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that

investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

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

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

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

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

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Operating leases

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

Other financial liabilities

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

Prepayments received from customers

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

Cash flow statement

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

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

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

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

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