Zacco A/S

Arne Jacobsens Allé 15
2300 Copenhagen

CVR no. 26 00 05 56

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

21 May 2019

- MICHAEL ...

chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Zacco A/S for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 21 May 2019
Executive Board:

Mats Erik Boström	Bo Håkan Tjärnemo

Board of Directors:

Hans Blomberg Chairman	Jesper Kongstad Vice Chairman	
Reinhold Geijer	Bengt Domeij Ribbing	Stefan Ölander
Anne Merete Kvistad Haugerud Employee representative	Margareta Karin Ingegerd Ydreskog Employee representative	Casper Struve Employee representative

Independent auditor's report

To the shareholders of Zacco A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Zacco A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company 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 that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these consolidated financial statements and parent company 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.

Independent auditor's report

We also

— identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Independent auditor's report

Based on the work we have performed, we conclude that the Management'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 of the Management's review.

Copenhagen, 21 May 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
mne33205

Management's review

Company details

Zacco A/S
Arne Jacobsens Allé 15
2300 Copenhagen

Telephone:	+45 39 48 80 00
Fax:	+45 39 48 80 80
Website:	www.zacco.com
CVR no.:	26 00 05 56
Financial year:	1 January – 31 December

Board of Directors

Hans Blomberg, Chairman
Jesper Kongstad, Vice Chairman
Reinhold Geijer
Bengt Domeij Ribbing
Stefan Ölander
Anne Merete Kvistad Haugerud, Employee representative
Margareta Karin Ingegerd Ydreskog, Employee representative
Casper Struve, Employee representative

Executive Board

Mats Erik Boström
Bo Håkan Tjärnemo

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

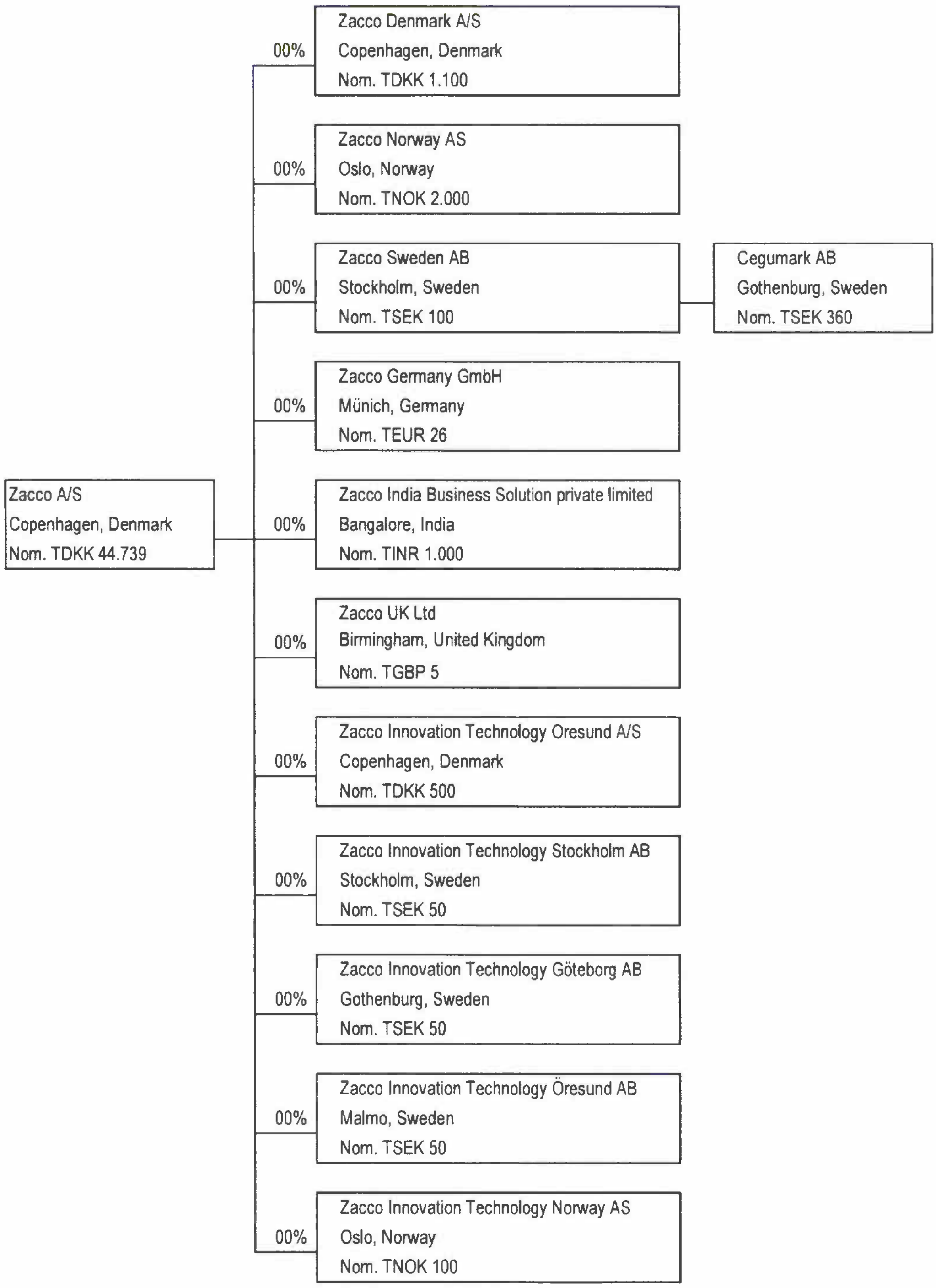
Attorneys

Lundgrens
Tuborg Havnevej 19
2900 Hellerup

Bank

Skandinaviska Enskilda Bank, SEB

Group chart


Zacco A/S
Copenhagen, Denmark
Nom. TDKK 44.739
00%
Zacco Denmark A/S
Copenhagen, Denmark
Nom. TDKK 1.100
00%
Zacco Norway AS
Oslo, Norway
Nom. TNOK 2.000
00%
Zacco Sweden AB
Stockholm, Sweden
Nom. TSEK 100
Cegumark AB
Gothenburg, Sweden
Nom. TSEK 360
00%
Zacco Germany GmbH
Münich, Germany
Nom. TEUR 26
00%
Zacco India Business Solution private limited
Bangalore, India
Nom. TINR 1.000
00%
Zacco UK Ltd
Birmingham, United Kingdom
Nom. TGBP 5
00%
Zacco Innovation Technology Oresund A/S
Copenhagen, Denmark
Nom. TDKK 500
00%
Zacco Innovation Technology Stockholm AB
Stockholm, Sweden
Nom. TSEK 50
00%
Zacco Innovation Technology Göteborg AB
Gothenburg, Sweden
Nom. TSEK 50
00%
Zacco Innovation Technology Öresund AB
Malmo, Sweden
Nom. TSEK 50
00%
Zacco Innovation Technology Norway AS
Oslo, Norway
Nom. TNOK 100

Management's review

Financial highlights for the Group

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	598,644	551,191	508,093	493,104	525,155
EBITDA	8,854	867	19,645	19,755	16,240
Operating profit/loss	8,854	867	17,075	17,128	13,851
Profit/loss from financial income and expenses	-2,737	-687	-4,141	-2,400	-3,472
Profit/loss for the year	4,783	3,002	11,644	1,268	11,435
Total assets	221,051	187,643	194,458	161,571	167,832
Equity	106,395	92,939	95,025	65,502	30,233
Investment in property, plant and equipment	771	2,465	1,378	137	5,691
Cash flows from operating activities - including paid taxes	1,061	-15,438	16,331	-18,006	-576
Cash flows from investing activities	-1,132	-2,598	-3,857	1,977	10,781
Cash flows from financing activities	9,542	-2,772	18,361	-2,053	-12,092
Total cash flows	9,471	-20,808	30,836	-18,082	-1,888
Ratios					
Gross margin	53.2%	52.2%	51.7%	50.8%	49.5%
Operating margin	1.5%	0.2%	3.4%	3.5%	2.6%
Return on invested capital	0.0%	0.5%	8.8%	10.6%	8.3%
Return on equity	2.4%	3.8%	14.5%	26.4%	35.2%
Solvency ratio	48.1%	49.5%	48.9%	40.5%	18.0%

Financial ratios are calculated in accordance with the guidelines "Recomendations & Ratios" issued by the Danish Society of Financial Analysts.

Definitions are shown under accounting policies.

Management's review

Operating review

The Group's principal activities

Zacco is an international IP company handling 200,000 active IP rights and providing consulting services within the IP field. Zacco is the market leader in Scandinavia but also provides services to many international companies. Zacco provides services from 31 offices in Sweden, Denmark, Norway, Germany, UK and India but also subcontracts work to international IP firms through an extensive international network with 150 preferred agents in more than 120 countries.

Market overview

Zacco is a modern, full-service intellectual property consultancy with 150 years' experience of innovative thinking. The company offers an all-embracing 360° perspective on intellectual property: From patent filing, trademark registration and design protection to secure develop-ment, digital brand protection, digital threat intelligence, cyber security and portfolio manage-ment. By combining the traditional IP disciplines with cyber security, digital threat intelligence, secure development and digital brands, Zacco takes care of ideas, innovations, data, identity – and all other intangible assets.

Zacco has more than 450 employees comprising experts in all aspects of intellectual property, including a large number of experienced patent, trademark and design attorneys as well as attorneys at law and paralegals, cyber security specialists and software developers.

Zacco is the market leader in Scandinavia and provides services for many international companies. Zacco works out of 31 offices in Sweden, Denmark, Norway, Germany, the UK and India but also subcontracts work to international IP firms through an extensive international network with 150 preferred agents in more than 120 countries.

Business development

Zacco showed a positive development and growth in all business lines during 2018. The mo-mentum is also continuing to build up in our digital business. Revenue from Digital Brand, Cyber Security & Software almost doubled. There are several very interesting cross synergies in the current client base, and we have a large number of new clients.

Zacco R&D centre in Bangalore, India, is now delivering high-quality services to Zacco clients in Scandinavia and in Germany and contributing to our new offerings within the digital busi-ness. More than 40 new employees have joined Zacco in Bangalore since the start one year ago, and Zacco will continue to recruit employees within all business lines.

The most important business initiative in Zacco is to upgrade the technology and processes for building a world-class platform, which will enable Zacco to handle high volumes and large-scale IP portfolios in a cost-efficient and high-quality manner. It will also allow Zacco to meet the market as ONE company and facilitate cross-staffing between all regions, teams and of-fices within Zacco. The upgrading involves major investments in new technology (systems, software etc.) and working processes. The upgrading project is ongoing, and a significant number of activities and steps have now been taken, though much potential is still ahead of us. The investment program has a long-term upside, but will, in the short-term, impact cost levels and profits.

Zacco continues to recruit in all regions. In total, Zacco has now almost 500 employees in 31 offices in Sweden, Denmark, Norway, Germany, UK and India. Zacco will continue to focus on attracting and retaining high-performing consultants to/with Zacco and offer them a highly competitive compensation package with fixed salary, "Pay for Performance" and ownership in Zacco.

Overall, we have a continued strong focus on sales, recruitment, onboarding of new employees, improving utilisation and efficiency in the organisation.

Management's review

Operating review

Development in activities and financial position

Revenue growth in 2018 is 12% in constant currency rates, compared with revenue growth of 10% in 2017 and 5% in 2016.

EBIT full year 2018 was DKK 8.9 million compared to DKK 0.9 million last year. Zacco is currently investing in new offices, recruitment of new employees facilitating future growth and profit generation, digital business and the platform. These investments have affected the result short term. EBT was DKK 6.1 million compared to DKK 0.2 million last year. Financial net had a negative impact on EBT in 2018 as currency fluctuations (mainly SEK and USD) were DKK -1.5 million in 2018 compared to DKK 0.9 million last year.

2019 objectives

Focus going forward is on growing revenues from existing and new customers with our 360° offering. We will also continue recruitment activities in all regions, fine tune the business mod-el and broaden the scope with services around our customers' IP and intangible assets. Zacco forecasts a revenue growth of 10% in 2019 and an improvement in profit level even if we will continue to invest considerable amounts within our platform in 2019.

Events after the balance sheet date

No significant material events have occurred after the end of financial year 2018.

Intellectual capital

Zacco's business is people based. Retaining and attracting the right people with the right skill, competences, knowledge, commitment and customer relations are the most important intellec-tual capital resources in the business. As an established business, for 150 years, Zacco has a comprehensive network of customer and business partners domestically as well as abroad.

Particular risks

Operating risks

The Company's business area is the provision of consulting services within IP and for this reason, the Company's most important resource is professional qualifications and competences among the employees. The Company's employees fully possess the necessary professional skills and competences for servicing the Company's clients.

Zacco has increased the investments in a new platform, but even though large investments are put into building a world-class platform, the current setup with IT infrastructure, data systems and processes needs improvement to ensure seamless and efficient operations.

Financial risks

Currency risks

Zacco has considerable trade with other countries. As the Group invoice to as well as incur costs and make investments abroad, the net currency exposure is limited, however, with the exception of the exchange ratio between DKK and SEK, NOK and USD, respectively.

Management's review

Operating review

Interest rate risks

The Company is not exposed to any material interest rate risk, and accordingly no dispositions are generally entered into for hedging interest risks.

Credit risks

The Group's policy of assessment of credit risks results in current credit assessment of large customers and trading partners. By the end of the year, no increase in the credit risk has been stated, and the provisions for bad debt performed are considered sufficient.

Environmental and climate matters

Zacco believes that businesses are responsible for achieving good environmental practice and to operate in a sustainable manner.

Zacco's risks related to Environment & Climate relates mainly to energy consumption and use of materials. We are therefore committed to reducing our environmental impact and continual-ly improving our environmental performance as an integral and fundamental part of our busi-ness strategy and operating methods. Since 2017 Zacco has established offices in more loca-tions, also outside Europe, and there is a risk that this will result in more travelling and thereby more emissions. It is the ambition of Zacco to limit air travel and instead, as far as possible, hold meetings via phone or video.

Our policy is to

- Wholly support and comply with or exceed the requirements of current environmental legislation and codes of practice
- .Minimise our waste and then reuse or recycle as much of it as possible.
- Strive to minimise printing.
- Use, as far as possible, electronic communication when we communicate with clients, agents and authorities.
- Encourage clients and agents to use electronic communication when communicating with Zacco.
- Strive to recycle and possibly reuse electronics and other equipment.
- Minimise energy and water usage in our buildings, vehicles and processes in order to conserve supplies, and minimise our consumption of natural resources, especially where they are non-renewable.
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises and reduce any impacts from our operations on the envi-ronment and local community.
- As far as possible purchase products and services that do the least damage to the environment and encourage others to do the same.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.

The Zacco Management Team is responsible for environmental management and perfor-mance and the integration of sustainable development within Zacco. All employees share this responsibility and are supported by key staff to help promote best practice, continual im-provement and monitor performance.

Management's review

Operating review

In 2018, Zacco has further developed our QMS system (Zacco Quality Management system) and one part of that is focusing on environmental process and routines, and the implementation of this will continue in 2019.

Corporate social responsibility

Corporate social responsibilities form an integrated part of Zacco's group values and is em-bedded in the way Zacco carry out business in both local and international settings. Zacco's focus areas for corporate social responsibility are environmental and climate issues, human rights, and equal rights for genders.

Human rights, employee conditions and social matters

Zacco recognizes the international human rights such as the right to education and the free-dom of speech and ensures that no discrimination based on race, religion or political opinion takes place. Zacco supports and respects conventions for human rights. Equality and diversity are very important to Zacco.

As part of recognizing the international human rights, Zacco is committed to supporting the development and education of young underprivileged people through the educational / motiva-tional program "Star for Life". The program aims to strengthen the self-esteem of young peo-ple in Africa. The work of Star for Life is in accordance with the UN Convention on the Rights of the Child and the Millennium Development Goals, to create fairer and more sustainable so-cieties. "Star for Life" is administered and operated by Starforlife.org.

During 2018, the Star of Life has been active on a large number of schools. In 2018, the pro-gram operates in 101 schools in South Africa, 20 in Namibia, 9 in Sweden and 1 in Sri Lanka. The program reaches 100.000 pupils currently. The results achieved during 2018 relates to not only effort made during the year but also an effort over several years. Young people in the Star for Life program has a better academic performance compared to young people outside the program and the knowledge of health challenges such as HIV prevention and drugs are also at a higher level. The Star for Life is particular effective among the poorest girls.

Zacco has high ambitions with regard to employee conditions and employee benefits for ex-ample in connection with long-term illness and pregnancy should be more generous than the local legislation.
Zacco works proactively to create a good physical and psychological work environment. Sev-eral times per year, employee surveys are carried out to measure the employee satisfaction. The participance in these surveys is above 80%.

The employee turnover is also measured and analysed in all parts of the Zacco Group. During the last years the turnover has been stable.

One of the biggest risks to human rights and employee conditions is employee retention and the negative impacts from employees from the working environment. Hence, Zacco has implemented all applicable labour and health and safety laws and strive to present all employees with opportunities and trainings to develop their capabilities and skills.

Goals and policies for the underrepresented gender

By having a diverse management composition Zacco aims to increase work quality and inter-action within the management team.

Zacco has set the following diversity objectives, which are reviewed once a year.

— At least 25% of the board members elected at the General Meeting should be women. Following the Annual general meeting in May 2017 this goal was reached, as 2 out of 7 board members are women. Therefore, under 99 b of the Danish Financial Statement Act, it is not necessary to set additional

Management's review

Operating review

targets for the Board.

— Within the next 3 years, at least 30% of senior management positions (Zacco Man-agement Team ZMT) should be held by women. Currently, 3 out of 10 members of senior management are women. It is part of Zacco's personnel policy that the percent-age of women in the other managerial positions should be increased, but still engaging the most competent candidates in order to create an equal distribution of men and women. When Zacco recruits or hires staff for managerial roles, the Company ensures, to the extent possible, to have both female and male candidates. This principle is fol-lowed for both internal and external recruitments. The personnel policy will be followed when filling in managerial positions. Zacco has appointed a woman to Regional Director for Zacco Norway and a part of the management team of Zacco. Furthermore, during 2018 several middle management positions have been filled by women.

Market risks

Zacco operates in a growing, but highly changeable market. Being an international and mar-ket-oriented organization, Zacco is in a good position for utilizing these in a dynamic way. Globalization and the long term trend of legalization is becoming more and more harmonized, e.g. Unitary Patent, which adds pressure and increases competition as the need of local agencies will be reduced.

Corruption and anti-bribery

Zacco presently has no policy with regard to corruption and anti-bribery, as such a policy is presently being developed and will be decided upon by the Zacco Management Team and communicated to all staff during 2019.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
Revenue	2	598,644	551,191	92	1,031
Cost of sales		-203,323	-191,416	0	0
Other external costs		-76,743	-72,223	-4,185	1,991
Gross profit/loss		318,578	287,552	-4,093	3,022
Staff costs	3	-306,678	-283,896	1,180	62
Depreciation, amortisation and impairment losses	4	-3,046	-2,789	0	0
Operating profit/loss		8,854	867	-2,913	3,084
Income from equity investments in group entities	5	0	0	8,056	-459
Financial income	6	10,263	8,545	4,906	2,180
Financial expenses	7	-13,000	-9,232	-6,186	-2,040
Profit before tax		6,117	180	3,863	2,765
Tax on profit/loss for the year	8	-1,334	2,822	920	237
Share of profit for the year	9	4,783	3,002	4,783	3,002

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
ASSETS					
Fixed assets					
Intangible assets	10				
Goodwill		577	1,401	0	0
Property, plant and equipment	11				
Fixtures and fittings, tools and equipment		3,355	4,937	0	0
Investments	12				
Equity investments in group entities		0	0	84,453	76,232
Other securities and equity investments		12	12	0	0
Pension asset (net)		2,629	2,272	19	19
		2,641	2,284	84,472	76,251
Total fixed assets		6,573	8,622	84,472	76,251
Current assets					
Receivables					
Trade receivables		139,083	118,759	0	0
Receivables from group entities		0	0	24,550	4,167
Contract work in progress	13	23,880	18,039	0	0
Other receivables		3,462	2,723	912	920
Deferred tax asset	14	8,795	10,534	4,875	5,491
Corporation tax		3,302	3,117	428	428
Prepayments		7,835	7,199	828	1,128
		186,357	160,371	31,593	12,134
Cash at bank and in hand	15	28,121	18,650	19,263	16,535
Total current assets		214,478	179,021	50,856	28,669
TOTAL ASSETS		221,051	187,643	135,328	104,920

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
DKK'000	Note	2018	2017	2018	2017
EQUITY AND LIABILITIES					
Equity					
Contributed capital	16	44,739	43,349	44,739	43,349
Reserve for net revaluation under equity method		0	0	-843	-3,043
Retained earnings		61,656	49,590	62,499	52,633
Total equity		106,395	92,939	106,395	92,939
Provisions					
Provisions for pensions and similar obligations		2,715	3,785	0	0
Other provisions	17	0	0	3,703	2,643
Total provisions		2,715	3,785	3,703	2,643
Liabilities other than provisions					
Current liabilities other than provisions	18				
Credit institutions, current liabilities		0	0	18,684	4,820
Prepayments received from customers	13	1,984	1,870	0	0
Trade payables		30,925	25,978	588	1,352
Corporation tax		0	552	0	0
Other payables		79,032	62,519	5,958	3,166
		111,941	90,919	25,230	9,338
Total liabilities other than provisions		111,941	90,919	25,230	9,338
TOTAL EQUITY AND LIABILITIES		221,051	187,643	135,328	104,920

Fees to auditor appointed at the general meeting	19
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Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

	Group				
DKK'000	Contributed capital	Share premium	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	43,349	0	49,590	0	92,939
Cash capital increase	1,390	5,952	0	0	7,342
Purchase of treasury shares	0	-1,390	0	0	-1,390
Sale of treasury shares	0	3,590	0	0	3,590
Exchange adjustment	0	0	-869	0	-869
Transfers, reserves	0	-8,152	8,152	0	0
Transferred over the profit appropriation	0	0	4,783	0	4,783
Equity at 31 December 2018	44,739	0	61,656	0	106,395

	Parent Company				
DKK'000	Contributed capital	Share premium	Reserve for net revaluation under equity method	Retained earnings	Total
Equity at 1 January 2018	43,349	0	-3,043	52,633	92,939
Cash capital increase	1,390	5,952	0	0	7,342
Purchase of treasury shares	0	0	-1,390	0	-1,390
Sale of treasury shares	0	0	3,590	0	3,590
Exchange adjustment	0	0	-869	0	-869
Transfers, reserves	0	-5,952	0	5,952	0
Transferred over the profit appropriation	0	0	869	3,914	4,783
Equity at 31 December 2018	44,739	0	-843	62,499	106,395

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group 2018	2017
Profit for the year		4,783	3,002
Cash flows from operations before changes in working capital		4,783	3,002
Adjustments	22	6,382	-1,603
Changes in working capital	23	-7,035	-16,021
Cash flows from ordinary activities		4,130	-14,622
Interest income and similar		10,263	8,545
Interest expenses and similar		-13,000	-9,232
Paid/prepaid income taxes		-332	-129
Cash flows from operating activities		1,061	-15,438
Acquisition of property, plant and equipment		-771	-2,465
Changes in deposits		-357	-133
Sale of fixed assets		-4	0
Cash flows from investing activities		-1,132	-2,598
Shareholders:			
Distributed dividend		0	-8,368
Treasury shares, net		2,200	-2,609
Capital increase		7,342	8,215
Costs regarding capital increase		0	-10
Cash flows from financing activities		9,542	-2,772
Cash flows for the year		9,471	-20,808
Cash and cash equivalents at the beginning of the year		18,650	39,458
Cash and cash equivalents at year end		28,121	18,650

Consolidated financial statements and parent company financial statements 1 January – 31 December

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1 Accounting policies

The annual report of Zacco A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Zacco A/S, and subsidiaries in which Zacco A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control over. Entities in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are considered associates. A group chart is included on page 7.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the

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Notes

1 Accounting policies (continued)

balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Income statement

Revenue

Revenue equals the selling price of work completed for the year. The completion of the individual projects often covers several financial periods and there the percentage-of-completion method is applied for the recognition of income. Accordingly, the profit on work performed is recognised as income on a pro rata basis concurrently with finalisation.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises out-of-pocket expenses paid by Danish and foreign employees and charges to public authorities.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Other external costs also include research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

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Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

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Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is between 5 and 25 years and longest for strategically acquired entities with a strong market position and long-term earnings profile.

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures, fittings and equipment	3-5 years
Computer, hardware and software	3 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Equity investments in group entities

Equity investments in group entities are measured at the proportionate share of the entities' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised as provisions.

Net revaluation of equity investments in group entities is tied as a net revaluation reserve under equity according to the equity method to the extent that the carrying amount exceeds cost. Dividends from group entities expected to be adopted in the group entities prior to the approval of the Company's annual report, are not tied up in the revaluation reserve.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Contract work in progress

Contract work in progress are measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual construction contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual construction contract.

When the selling price of a contract work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual contract work in progress is recognised in the balance sheet as receivables or payables,

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Notes

1 Accounting policies (continued)

respectively. Net assets comprise the total of contract work in progress where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of construction contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

Pension obligations and provisions

To the extent that pension obligations are not covered by insurance, they are recognised in the balance sheet as provisions. The calculation of the liability is based on actuarial computations or on the capitalised values.

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

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

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Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Cash flow statement

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

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Financial ratios

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

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2 Segment information

DKK'000	Group 2018	Group 2017
Revenue - geographical markets		
Denmark	202,141	164,057
Sweden	243,163	241,599
Norway	104,044	108,411
India	7,230	0
Great Britian	658	0
Germany	41,408	37,124
	598,644	551,191

DKK'000	Parent Company 2018	Parent Company 2017
Revenue - geographical markets		
Europe	92	1,031
	92	1,031

3 Staff costs

DKK'000	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Wages and salaries	250,883	231,806	23,199	23,503
Pensions	17,503	16,573	378	353
Other social security costs	38,292	35,517	1,073	1,227
	306,678	283,896	-1,180	-62
Average number of full-time employees	370	368	23	25

Staff costs of the Group and the Parent Company include remuneration of the Group's Executive Board and Board of Directors of DKK 8,251 thousand (2017: DKK 7,446 thousand) as well as remuneration of the Parent Company's Executive Board and Board of Directors of DKK 8,296 thousand (2017: DKK 7,378 thousand).

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Notes

Incentive schemes

Zacco has per December 31, 2018 in total 3,810,000 call options to employees outstanding. The options give the option holder a right to purchase one (1) share for each option. From prior year, 1,675,000 options are outstanding and expires in June 2019. In 2018, three different programs have been launched. One program consists of 450,000 options and are exercisable in three allotments (the first allotment resulted in 120,000 options being exercised in January 2019 and the other two allotments are exercisable in December 2019 and December 2020). The second program consists of 1,270,000 options and are exercisable in two allotments (in 2020 and 2021). The third program consists of 415,000 options and are exercisable in two allotments (in 2020 and 2021). The purchase price for the options has been calculated using the Black-Scholes formula to ensure a market price and the strike prices are also based on the prevailing market price plus an annual mark-up.

4 Depreciation, amortisation and impairment losses

	Group	
DKK'000	2018	2017
Amortisation, depreciation and write-down		
Goodwill	769	816
Other fixtures and fittings, tools and equipment	2,281	1,973
Profit/loss on disposal of fixtures	-4	0
	3,046	2,789

5 Income from equity investments in group entities

	Parent Company	
DKK'000	2018	2017
Result, subsidiaries	8,736	-292
Amortisation and write-down of goodwill	-769	-817
Exchange adjustments relating to profit for the year	89	650
	8,056	-459

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
6 Financial income				
Interest income from group entities	0	0	880	952
Other financial income	820	889	478	51
Exchange gains	9,443	7,656	3,548	1,177
	10,263	8,545	4,906	2,180

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7 Financial expenses

Interest expense to group entities	0	0	316	78
Other financial costs	2,070	2,451	1,095	270
Exchange adjustments costs	10,929	6,781	4,775	1,692
	13,000	9,232	6,186	2,040

8 Tax on profit/loss for the year

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Current tax for the year	101	689	-1,535	0
Deferred tax for the year	1,233	-3,511	615	-237
	1,334	-2,822	-920	-237

9 Proposed profit appropriation

Reserve for net revaluation under the equity method	3,914	732
Retained earnings	869	2,270
	4,783	3,002

10 Intangible assets

	Group		
DKK'000	Goodwill	Development projects in progress	Total
Cost at 1 January 2018	19,602	748	20,350
Exchange rate adjustment	-687	-29	-716
Cost at 31 December 2018	18,915	719	19,634
Amortisation and impairment losses at 1 January 2018	-18,201	-748	-18,949
Exchange rate adjustment	632	29	661
Amortisation for the year	-769	0	-769
Amortisation and impairment losses at 31 December 2018	-18,338	-719	-19,057
Carrying amount at 31 December 2018	577	0	577

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11 Property, plant and equipment

DKK'000	Group Fixtures and fittings, tools and equipment
Cost at 1 January 2018	14,793
Exchange rate adjustment	-166
Additions for the year	771
Cost at 31 December 2018	15,398
Depreciation and impairment losses at 1 January 2018	-9,856
Exchange rate adjustment	94
Depreciation for the year	-2,281
Depreciation and impairment losses at 31 December 2018	-12,043
Carrying amount at 31 December 2018	3,355

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Consolidated financial statements and parent company financial statements 1 January – 31 December

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12 Investments

DKK'000	Parent Company 2018	Parent Company 2017
Cost at 1 January 2018	83,779	83,554
Additions for the year	0	225
Cost at 31 December 2018	83,779	83,779
Revaluations at 1 January 2018	-10,190	-10,310
Exchange adjustment	-780	-1,620
Net profit/loss for the year	8,733	-292
Revaluations for the year, net	-767	-817
Other adjustments	-25	2,849
Equity investments with negative net asset value	3,703	2,643
Revaluations 31 December 2018	674	-7,547
Carrying amount at 31 December 2018	84,453	76,232

Name/legal form	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:		DKK'000	DKK'000
Zacco Denmark A/S	100%	35,029	7,903
Zacco Norway AS	100%	17,733	984
Zacco Sweden AB	100%	18,461	3,969
Cegumark AB	100%	913	70
Zacco Germany GmbH	100%	12,094	-536
Zacco Innovation Technology Oresund A/S	100%	-3,156	-1,521
Zacco Innovation Technology Stockholm AB	100%	-6	-1,674
Zacco Innovation Technology Göteborg AB	100%	-41	331
Zacco Innovation Technology Öresund AB	100%	46	1,241
Zacco Innovation Technology Norway AS	100%	-96	-171
Zacco UK Ltd	100%	-411	-258
Zacco India Business Solution private limited	100%	184	649
		80,750	10,987

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13 Contract work in progress

	Group	
DKK'000	2018	2017
Work in progress	23,880	18,039
Prepayments received	-1,984	-1,870
	21,896	16,169

14 Deferred tax asset

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Deferred tax at 1 January	10,535	6,613	5,491	5,254
Deferred tax adjustment for the year in the income statement	-1,740	3,922	-616	237
	8,795	10,535	4,875	5,491
recognised as follows:				
Property, plant and equipment	309	269	0	0
Trade receivables	234	266	0	0
Work in progress	-346	-1,095	0	0
Pension asset (net)	678	463	0	0
Other tax reserves in subsidiaries	0	428	0	0
Accrued costs	409	351	0	0
Tax losses carryforward	7,511	9,853	4,875	5,491
	8,795	10,535	4,875	5,491

The Group has an unrecognised deferred tax asset relating to Zacco Germany.

15 Cash at bank and in hand

	Group		Parent Company	
DKK'000	31/12 2018	31/12 2017	31/12 2018	31/12 2017
The total cash and cash equivalents are distributed as follows:				
Available cash and cash equivalents	25,810	15,357	19,263	16,535
Cash and cash equivalents tied up	2,311	3,293	0	0
	28,121	18,650	19,263	16,535

Consolidated financial statements and parent company financial statements 1 January – 31 December

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16 Contributed capital

The contributed capital consists of:

89,477,491 shares of nominally DKK 0,5.

All shares rank equally.

The company has issued 4,455,240 shares in 2018 (of which 1,800,000 through an exercise of options).

The company has 359,542 treasury shares of nom. DKK 0,5, which is 0,4% of the share capital.
During 2018 the company has acquired 520,144 shares from former and current employees and 4,182,984 shares have been sold to employees.

17 Other provisions

Other provisions comprise staff-related expenses, negative investments in subsidiaries, claims from sales of investments and provision for pensions.

18 Non-current liabilities other than provisions

Instalments due within 1 year have been listed under current liabilities. Other liabilities have been recognised under non-current liabilities.

The liabilities fall due according to the below order:

	Parent Company	
DKK'000	31/12 2018	31/12 2017
Credit institutions		
Within 1 year	18,684	4,820
	18,684	4,820

19 Fees to auditor appointed at the general meeting

	Group		Parent Company	
DKK'000	2018	2017	2018	2017
Statutory Audit	601	620	179	175
Tax assistance	29	23	15	10
Other Assurance engagements	0	11	0	0
Non-audit services	47	620	37	175
	677	1,274	231	360

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

20 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group is regularly party to lawsuits, disputes and similar. Management does not believe these cases to significantly influence the Group's financial position.

A security in debtors and all other assets has been granted as security for the total bank commitment with SEB, Skandinaviska Enskilda Banken AB by Zacco Denmark A/S and Zacco Sweden AB. Zacco Denmark has granted securities by DKK 43 million and Zacco Sweden AB by SEK 37.9 million .

A security in debtors of SEK 300 thousand has been granted as security for Cegumark AB's total bank commitment.

The companies in the Group have provided security to credit institutions by way of guarantee of DKK 50 million corresponding to the limit for operating credit facility.

Parent

The Parent company has issued a Letter of Support in favour of Zacco Innovation Technology Øresund A/S, Zacco Innovation Technology Norge A/S and Zacco UK Ltd. The guarantee will be in force until the annual general meeting in 2020.

	Group	
DKK'000	2018	2017
Operating lease obligations		
Within 1 year	23,068	18,683
Between 1 and 5 years	45,522	27,616
After 5 years	0	3,191
	68,590	49,490

21 Related party disclosures

Related party transactions

DKK'000	2018	2017	2018	2017
Sale of services to subsidiaries	-	-	61,891	58,023
Purchase of services from subsidiaries	-	-	(25,871)	(27,091)
	-	-	36,020	30,932

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 3.

Transactions with group entities are eliminated in the consolidated financial statements in accordance with Zacco Group's Accounting Policies.

The company's balances with group entities at 31 December 2018 are recognised in the balance sheet. Interest income and expenses with respect to the group enterprises are disclosed in note 6 and 7. Further, balances with group enterprises comprise trade balances related to purchase and sale of services.

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Sale of services to group enterprises consists of Group services, e.g. Group management, financial services, HR, marketing, IT etc

No transactions have been carried out the the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from ordinary remuneration.

22 Cash flow statement - adjustments

DKK'000	Group 2018	Group 2017
Financial income	-10,263	-8,545
Financial expenses	13,000	9,232
Amortisation, depreciation and write-down for the year	3,046	2,789
Tax on profit for the year	1,334	-2,822
Other adjustments	-735	-2,257
	6,382	-1,603

23 Cash flow statement - changes in working capital

DKK'000	Group 2018	Group 2017
Changes in receivables and payables		
Trade receivables	-20,325	-7,742
Contract work in progress	-5,841	-891
Other receivables	-739	-742
Prepayments	-637	-1,378
Pension commitment	-1,070	126
Prepayments received from customers	114	56
Trade payables	4,947	-5,147
Other payables	16,516	-303
	-7,035	-16,021

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