

MZ Denmark ApS
Pilestræde 58
1112 Copenhagen K
Central Business Registration
No 31252741

Annual report 2018

The Annual General Meeting adopted the annual report on 01.04.2019

Chairman of the General Meeting

Name: Christopher Beard

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2018	8
Consolidated balance sheet at 31.12.2018	9
Consolidated statement of changes in equity for 2018	11
Consolidated cash flow statement for 2018	12
Notes to consolidated financial statements	13
Parent income statement for 2018	16
Parent balance sheet at 31.12.2018	17
Parent statement of changes in equity for 2018	19
Notes to parent financial statements	20
Accounting policies	23

Entity details

Entity

MZ Denmark ApS
Pilestræde 58
1112 Copenhagen K

Central Business Registration No: 31252741

Founded: 31.01.2008

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Executive Board

Michael Joseph DeAngelo
Denelle Marie Dixon-Thayer
Christopher Beard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of MZ Denmark ApS for the financial year 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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

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

Copenhagen, den 01.04.2019

Executive Board

Michael Joseph DeAngelo

Denelle Marie Dixon-Thayer

Christopher Beard

Independent auditor's report

To the shareholder of MZ Denmark ApS

Opinion

We have audited the consolidated financial statements and parent financial statements of MZ Denmark ApS for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and parent financial statements of MZ Denmark ApS for the financial year 01.01.2018 - 31.12.2018 give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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 parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and parent financial statements unless Management either intends to liquidate the Group or the Entity 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 parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent 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

Independent auditor's report

expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and parent 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 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 consolidated financial statements and parent 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 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 consolidated financial statements and parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent financial statements and the parent 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 commentary

Management is responsible for the management commentary.

Independent auditor's report

Our opinion on the consolidated financial statements and parent 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 consolidated financial statements and parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and parent 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 consolidated financial statements and parent 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, 01.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant
Identification number (MNE) mne16541

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	295.920	269.373	260.762	252.826	219.556
Gross profit/loss	230.893	212.576	198.891	186.595	163.482
Operating profit/loss	20.714	19.275	15.828	15.420	13.400
Net financials	(65)	(213)	(751)	(289)	152
Profit/loss for the year	33.163	19.899	18.846	17.276	9.240
Total assets	160.251	145.264	102.613	86.844	63.773
Investments in property, plant and equipment	22.670	25.775	12.150	2.200	1.776
Equity	119.854	86.784	67.495	50.750	32.872
Employees in average	190	164	174	172	155
Ratios					
Gross margin (%)	78,0	78,9	76,3	73,8	74,5
Net margin (%)	11,2	7,4	7,2	6,8	4,2
Return on equity (%)	32,1	25,8	31,9	41,3	32,9
Equity ratio (%)	74,8	59,7	65,8	58,4	51,5

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Group provides internet-based open source software and services (Mozilla Products) which are made available to hundreds of millions of users worldwide to fulfill Mozilla's worldwide mission to make the internet and the web open and accessible to all.

Development in activities and finances

Profit for 2018 amounts to DKK 33,163 thousand, which is in line with the expectations for the year.

Uncertainty relating to recognition and measurement

There has been no uncertainty relating to recognition and measurement.

Particular risks

MZ Denmark bears no particular risks compared to other enterprises and players on the markets on which the Company operates.

Group relations

The Company has a subsidiary in Germany - MZ Denmark GmbH.

Foreign branches

The Company has branches in the following countries:

France

Sweden

The Netherlands

United Kingdom

Spain

Finland

Belgium

Poland

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.

Consolidated income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Revenue		295.920.001	269.373.272
Other operating income		422.301	618.716
Other external expenses		(65.449.578)	(57.415.741)
Gross profit/loss		230.892.724	212.576.247
Staff costs	1	(200.200.579)	(185.527.237)
Depreciation, amortisation and impairment losses	2	(9.978.062)	(7.773.968)
Operating profit/loss		20.714.083	19.275.042
Other financial income		4.850	5
Other financial expenses		(70.089)	(213.180)
Profit/loss before tax		20.648.844	19.061.867
Tax on profit/loss for the year	3	12.514.408	837.502
Profit/loss for the year	4	33.163.252	19.899.369

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		9.974.549	10.401.371
Leasehold improvements		35.670.152	22.514.914
Property, plant and equipment	5	45.644.701	32.916.285
Deposits		2.792.475	2.625.514
Deferred tax	7	3.786.884	4.273.848
Fixed asset investments	6	6.579.359	6.899.362
Fixed assets		52.224.060	39.815.647
Receivables from group enterprises		16.671.773	51.950.911
Other receivables		10.684.333	5.449.193
Income tax receivable		30.397.484	15.608.926
Receivables		57.753.590	73.009.030
Cash		50.273.650	32.439.023
Current assets		108.027.240	105.448.053
Assets		160.251.300	145.263.700

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		125.000	125.000
Retained earnings		119.728.801	86.659.007
Equity		119.853.801	86.784.007
Trade payables		7.869.671	5.036.554
Payables to group enterprises		0	22.392.754
Income tax payable		3.788.560	3.904.145
Other payables		28.739.268	27.146.240
Current liabilities other than provisions		40.397.499	58.479.693
Liabilities other than provisions		40.397.499	58.479.693
Equity and liabilities		160.251.300	145.263.700
Unrecognised rental and lease commitments	9		
Mortgages and securities	10		
Subsidiaries	11		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	86.617.032	86.742.032
Exchange rate adjustments	0	(9.508)	(9.508)
Profit/loss for the year	0	33.121.277	33.121.277
Equity end of year	125.000	119.728.801	119.853.801

Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Operating profit/loss		20.714.083	19.275.042
Amortisation, depreciation and impairment losses		9.978.062	7.773.968
Working capital changes	8	12.077.389	(22.469.336)
Cash flow from ordinary operating activities		42.769.534	4.579.674
Financial income paid		(65.239)	(213.175)
Income taxes refunded/(paid)		(1.894.446)	(3.807.991)
Cash flows from operating activities		40.809.849	558.508
Acquisition etc of property, plant and equipment		(22.670.416)	(25.774.744)
Sale of fixed asset investments		(166.961)	2.306.089
Cash flows from investing activities		(22.837.377)	(23.468.655)
Increase/decrease in cash and cash equivalents		17.972.472	(22.910.147)
Cash and cash equivalents beginning of year		32.439.023	55.646.466
Currency translation adjustments of cash and cash equivalents		(137.845)	(297.296)
Cash and cash equivalents end of year		50.273.650	32.439.023

Notes to consolidated financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	175.894.087	165.317.081
Pension costs	12.631.596	12.016.006
Other staff costs	11.674.896	8.194.150
	200.200.579	185.527.237

Average number of employees	190	164
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	2018 DKK	2017 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	9.670.654	7.773.968
Profit/loss from sale of intangible assets and property, plant and equipment	307.408	0
	9.978.062	7.773.968

	2018 DKK	2017 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	(4.936.488)	2.281.423
Change in deferred tax for the year	495.289	(1.389.226)
Adjustment concerning previous years	(8.073.209)	(1.729.699)
	(12.514.408)	(837.502)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 19.3 million (2017: DKK 6.5 million).

	2018 DKK	2017 DKK
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	0	11.603
Retained earnings	33.163.252	19.887.766
	33.163.252	19.899.369

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
5. Property, plant and equipment		
Cost beginning of year	21.444.047	32.814.134
Exchange rate adjustments	20.452	36.644
Additions	4.701.789	17.968.622
Disposals	0	(393.953)
Cost end of year	26.166.288	50.425.447
Depreciation and impairment losses beginning of the year	(11.042.671)	(10.299.219)
Exchange rate adjustments	(8.796)	(17.047)
Depreciation for the year	(5.140.272)	(4.525.529)
Reversal regarding disposals	0	86.500
Depreciation and impairment losses end of the year	(16.191.739)	(14.755.295)
Carrying amount end of year	9.974.549	35.670.152
	Deposits DKK	Deferred tax DKK
6. Fixed asset investments		
Cost beginning of year	2.625.514	4.273.848
Exchange rate adjustments	0	8.325
Additions	166.961	(495.289)
Cost end of year	2.792.475	3.786.884
Carrying amount end of year	2.792.475	3.786.884
	2018 DKK	2017 DKK
7. Deferred tax		
Property, plant and equipment	3.786.884	4.273.848
	3.786.884	4.273.848
Changes during the year		
Beginning of year	4.273.848	
Recognised in the income statement	(486.964)	
End of year	3.786.884	

Notes to consolidated financial statements

	2018 DKK	2017 DKK
8. Change in working capital		
Increase/decrease in receivables	7.651.244	(21.758.519)
Increase/decrease in trade payables etc	4.426.145	(710.817)
	12.077.389	(22.469.336)

	2018 DKK	2017 DKK
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	31.700.000	47.800.000

10. Mortgages and securities

One of the Group's leases is secured by way of deposited cash of approx. DKK 4 million (EUR 542,500).

	Registered in	Corpo- rate form	Equity inte- rest %
11. Subsidiaries			
MZ Denmark GmbH	Berlin, Germany	GmbH	100,0

Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Revenue		172.540.391	182.366.289
Other operating income		422.301	618.716
Other external expenses		(35.140.105)	(37.297.736)
Gross profit/loss		137.822.587	145.687.269
Staff costs	1	(122.476.175)	(127.716.762)
Depreciation, amortisation and impairment losses	2	(2.932.802)	(4.765.785)
Operating profit/loss		12.413.610	13.204.722
Income from investments in group enterprises		5.152.508	4.215.676
Other financial income		4.850	0
Other financial expenses		(69.979)	(236.989)
Profit/loss before tax		17.500.989	17.183.409
Tax on profit/loss for the year	3	15.662.263	2.715.960
Profit/loss for the year	4	33.163.252	19.899.369

Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Other fixtures and fittings, tools and equipment		1.727.381	3.674.040
Leasehold improvements		3.638.738	4.572.624
Property, plant and equipment	5	<u>5.366.119</u>	<u>8.246.664</u>
Investments in group enterprises		16.461.711	11.267.228
Deposits		1.685.537	1.688.991
Deferred tax	7	2.883.083	2.710.326
Fixed asset investments	6	<u>21.030.331</u>	<u>15.666.545</u>
Fixed assets		<u>26.396.450</u>	<u>23.913.209</u>
Receivables from group enterprises		40.458.200	51.950.911
Other receivables		4.836.365	2.050.963
Income tax receivable		30.397.484	15.608.926
Receivables		<u>75.692.049</u>	<u>69.610.800</u>
Cash		<u>41.256.848</u>	<u>15.895.079</u>
Current assets		<u>116.948.897</u>	<u>85.505.879</u>
Assets		<u>143.345.347</u>	<u>109.419.088</u>

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		16.237.788	11.043.305
Retained earnings		103.490.908	75.615.701
Equity		119.853.696	86.784.006
Trade payables		3.742.290	1.634.175
Income tax payable		839.840	783.730
Other payables		18.909.521	20.217.177
Current liabilities other than provisions		23.491.651	22.635.082
Liabilities other than provisions		23.491.651	22.635.082
Equity and liabilities		143.345.347	109.419.088
Unrecognised rental and lease commitments	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	11.043.305	75.615.702	86.784.007
Exchange rate adjustments	0	0	(93.563)	(93.563)
Profit/loss for the year	0	5.194.483	27.968.769	33.163.252
Equity end of year	125.000	16.237.788	103.490.908	119.853.696

Notes to parent financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	110.321.788	116.058.109
Pension costs	6.152.538	6.216.695
Other staff costs	6.001.849	5.441.958
	122.476.175	127.716.762
Average number of employees	102	107
	2018 DKK	2017 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	2.932.802	4.765.785
	2.932.802	4.765.785
	2018 DKK	2017 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	(7.419.995)	(882.554)
Change in deferred tax for the year	(169.059)	(196.370)
Adjustment concerning previous years	(8.073.209)	(1.637.036)
	(15.662.263)	(2.715.960)
Tax on profit for the year is affected by income relating to R&D tax credit of DKK 19.3 million (2017: DKK 6.5 million).		
	2018 DKK	2017 DKK
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	5.194.483	4.227.279
Retained earnings	27.968.769	15.672.090
	33.163.252	19.899.369

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK	
5. Property, plant and equipment			
Cost beginning of year	12.511.775	13.513.677	
Exchange rate adjustments	(4.743)	(17.797)	
Additions	74.956	0	
Cost end of year	12.581.988	13.495.880	
Depreciation and impairment losses beginning of the year	(8.837.730)	(8.941.053)	
Exchange rate adjustments	(2.585)	(13.216)	
Depreciation for the year	(2.014.292)	(902.873)	
Depreciation and impairment losses end of the year	(10.854.607)	(9.857.142)	
Carrying amount end of year	1.727.381	3.638.738	
	Investments in group enterprises DKK	Deposits DKK	Deferred tax DKK
6. Fixed asset investments			
Cost beginning of year	223.923	1.688.991	2.710.326
Exchange rate adjustments	0	0	3.698
Additions	0	0	169.059
Disposals	0	(3.454)	0
Cost end of year	223.923	1.685.537	2.883.083
Revaluations beginning of year	11.043.305	0	0
Exchange rate adjustments	41.975	0	0
Share of profit/loss for the year	5.152.508	0	0
Revaluations end of year	16.237.788	0	0
Carrying amount end of year	16.461.711	1.685.537	2.883.083

Notes to parent financial statements

	2018 DKK	2017 DKK
7. Deferred tax		
Property, plant and equipment	2.883.083	2.710.326
	2.883.083	2.710.326

Changes during the year

Beginning of year	2.710.326
Recognised in the income statement	172.757
End of year	2.883.083

	2018 DKK	2017 DKK
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	17.900.000	29.600.000

9. Mortgages and securities

One of the Company's leases is secured by way of deposited cash of approx. DKK 4 million (EUR 542,500).

10. Related parties with controlling interest

The Company is a wholly owned subsidiary of Mozilla Corporation, 331 East Evelyn Avenue, Mountain View, CA 94041-2021, USA.

Accounting policies

Reporting class

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

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

The consolidated financial statements and parent financial statements have been prepared using DKK.

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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for

Accounting policies

distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

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 operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as 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 internal profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Accounting policies

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 gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

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

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	1-7 years
Leasehold improvements	7 years or term of lease whichever is shorter

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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.

Accounting policies

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 plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

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

Deferred tax

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

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

Receivables

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

Income tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

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.

Cash flow statement

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

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

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

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on 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.