

MZ Denmark ApS
Kalkbrænderiløbskaj 4
2100 Copenhagen Ø
Central Business Registration
No 31252741

Annual report 2016

The Annual General Meeting adopted the annual report on 15.04.2017

Chairman of the General Meeting

Name: James Kenneth Cook

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 2016	8
Consolidated balance sheet at 31.12.2016	9
Consolidated statement of changes in equity for 2016	11
Consolidated cash flow statement for 2016	12
Notes to consolidated financial statements	13
Parent income statement for 2016	16
Parent balance sheet at 31.12.2016	17
Parent statement of changes in equity for 2016	19
Notes to parent financial statements	20
Accounting policies	23

Entity details

Entity

MZ Denmark ApS
Kalkbrænderiløbskaj 4
2100 Copenhagen Ø

Central Business Registration No: 31252741

Founded: 31.01.2008

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Executive Board

James Kenneth Cook
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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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 15.04.2017

Executive Board

James Kenneth Cook

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 01.01.2016 - 31.12.2016, 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 01.01.2016 - 31.12.2016 give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 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, 15.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant

Management commentary

	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000	2012 DKK'000
Financial highlights					
Key figures					
Revenue	260.762	252.826	219.556	196.685	132.549
Gross profit/loss	198.891	186.595	163.482	133.090	76.807
Operating profit/loss	15.828	15.420	13.400	11.953	6.404
Net financials	(751)	(289)	152	239	189
Profit/loss for the year	18.846	17.276	9.240	12.213	4.492
Total assets	102.613	86.844	63.773	52.738	37.457
Investments in property, plant and equipment	12.150	2.200	1.776	17.796	11.032
Equity incl minority interests	67.495	50.750	32.872	23.297	11.032
Employees in average	174	172	155	141	95
Ratios					
Gross margin (%)	76,3	73,8	74,5	67,7	57,9
Net margin (%)	7,2	6,8	4,2	6,2	3,4
Return on equity (%)	31,9	41,3	32,9	71,2	51,1
Equity ratio (%)	65,8	58,4	51,5	44,2	29,5

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 (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	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 2016 amounts to DKK 18,846 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 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue		260.761.828	252.826.389
Other operating income		222.958	0
Other external expenses		(62.094.045)	(66.231.226)
Gross profit/loss		198.890.741	186.595.163
Staff costs	1	(177.516.314)	(163.653.126)
Depreciation, amortisation and impairment losses	2	(5.546.506)	(7.521.791)
Operating profit/loss		15.827.921	15.420.246
Other financial income		2.902	2.687
Other financial expenses		(753.920)	(291.615)
Profit/loss before tax		15.076.903	15.131.318
Tax on profit/loss for the year	3	3.768.972	2.145.149
Profit/loss for the year	4	18.845.875	17.276.467

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Other fixtures and fittings, tools and equipment		9.029.370	4.645.410
Leasehold improvements		6.116.723	4.056.722
Property, plant and equipment	5	<u>15.146.093</u>	<u>8.702.132</u>
Deposits		4.931.603	4.014.683
Deferred tax	7	2.967.391	7.600
Fixed asset investments	6	<u>7.898.994</u>	<u>4.022.283</u>
Fixed assets		<u>23.045.087</u>	<u>12.724.415</u>
Receivables from group enterprises		9.012.848	3.451.981
Other receivables		4.235.983	8.320.578
Income tax receivable		10.673.111	7.445.091
Receivables		<u>23.921.942</u>	<u>19.217.650</u>
Cash		<u>55.646.466</u>	<u>54.901.562</u>
Current assets		<u>79.568.408</u>	<u>74.119.212</u>
Assets		<u>102.613.495</u>	<u>86.843.627</u>

Consolidated balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		125.000	125.000
Retained earnings		67.370.286	50.625.372
Equity		67.495.286	50.750.372
Trade payables		7.779.333	5.390.116
Income tax payable		2.224.597	2.916.797
Other payables		25.114.279	27.786.342
Current liabilities other than provisions		35.118.209	36.093.255
Liabilities other than provisions		35.118.209	36.093.255
Equity and liabilities		102.613.495	86.843.627
Unrecognised rental and lease commitments	9		
Mortgages and securities	10		
Subsidiaries	11		

Consolidated statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	50.625.372	50.750.372
Exchange rate adjustments	0	(2.121.819)	(2.121.819)
Value adjustments	0	20.858	20.858
Profit/loss for the year	0	18.845.875	18.845.875
Equity end of year	125.000	67.370.286	67.495.286

Consolidated cash flow statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Operating profit/loss		15.827.921	15.420.246
Amortisation, depreciation and impairment losses		5.546.506	7.521.791
Working capital changes	8	(1.759.119)	(1.435.595)
Cash flow from ordinary operating activities		19.615.308	21.506.442
Financial income received		2.902	2.687
Financial income paid		(753.920)	(291.615)
Income taxes refunded/(paid)		(3.043.634)	(3.536.991)
Cash flows from operating activities		15.820.656	17.680.523
Acquisition etc of property, plant and equipment		(12.149.634)	(2.199.866)
Acquisition of fixed asset investments		(1.318.311)	0
Sale of fixed asset investments		0	281.454
Cash flows from investing activities		(13.467.945)	(1.918.412)
Increase/decrease in cash and cash equivalents		2.352.711	15.762.111
Cash and cash equivalents beginning of year		54.901.562	38.990.140
Currency translation adjustments of cash and cash equivalents		(1.607.807)	149.311
Cash and cash equivalents end of year		55.646.466	54.901.562

Notes to consolidated financial statements

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	159.790.159	148.014.788
Pension costs	14.910.593	13.606.461
Other staff costs	2.815.562	2.031.877
	177.516.314	163.653.126

Average number of employees	174	172
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	2016 DKK	2015 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	5.310.100	7.521.791
Profit/loss from sale of intangible assets and property, plant and equipment	236.406	0
	5.546.506	7.521.791

	2016 DKK	2015 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	536.729	1.767.660
Change in deferred tax for the year	(2.892.386)	3.400
Adjustment concerning previous years	(1.413.315)	(3.916.209)
	(3.768.972)	(2.145.149)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 6.2 million (2015: DKK 8.4 million).

	2016 DKK	2015 DKK
4. Proposed distribution of profit/loss		
Retained earnings	18.845.875	17.276.467
	18.845.875	17.276.467

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	16.192.644	14.721.262
Exchange rate adjustments	(847.088)	(847.308)
Additions	7.523.964	4.625.670
Disposals	(976.635)	(5.037.784)
Cost end of year	21.892.885	13.461.840
Depreciation and impairment losses beginning of the year	(11.547.230)	(10.664.547)
Exchange rate adjustments	669.958	808.947
Depreciation for the year	(2.788.947)	(2.465.150)
Reversal regarding disposals	802.704	4.975.633
Depreciation and impairment losses end of the year	(12.863.515)	(7.345.117)
Carrying amount end of year	9.029.370	6.116.723
	Deposits DKK	Deferred tax DKK
6. Fixed asset investments		
Cost beginning of year	4.014.683	7.600
Additions	916.920	2.959.791
Cost end of year	4.931.603	2.967.391
Carrying amount end of year	4.931.603	2.967.391
	2016 DKK	2015 DKK
7. Deferred tax		
Intangible assets	2.967.391	7.600
	2.967.391	7.600
Changes during the year		
Beginning of year	7.600	
Recognised in the income statement	2.959.791	
End of year	2.967.391	

Notes to consolidated financial statements

	2016 DKK	2015 DKK
8. Change in working capital		
Increase/decrease in receivables	(1.476.272)	(5.269.528)
Increase/decrease in trade payables etc	(282.847)	3.833.933
	(1.759.119)	(1.435.595)

	2016 DKK	2015 DKK
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	49.700.000	43.000.000

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 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue		202.435.235	203.105.951
Other operating income		222.958	0
Other external expenses		(49.356.210)	(50.148.250)
Gross profit/loss		153.301.983	152.957.701
Staff costs	1	(135.634.941)	(133.196.922)
Depreciation, amortisation and impairment losses	2	(5.398.958)	(7.375.113)
Operating profit/loss		12.268.084	12.385.666
Income from investments in group enterprises		2.319.027	1.982.560
Other financial income		2.897	2.494
Other financial expenses		(753.789)	(291.887)
Profit/loss before tax		13.836.219	14.078.833
Tax on profit/loss for the year	3	5.009.656	3.197.634
Profit/loss for the year	4	18.845.875	17.276.467

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Other fixtures and fittings, tools and equipment		6.680.545	4.491.473
Leasehold improvements		6.116.723	4.056.722
Property, plant and equipment	5	12.797.268	8.548.195
Investments in group enterprises		7.039.949	4.741.781
Deposits		4.208.820	3.896.610
Deferred tax	7	2.597.580	7.600
Fixed asset investments	6	13.846.349	8.645.991
Fixed assets		26.643.617	17.194.186
Receivables from group enterprises		9.012.848	3.451.981
Other receivables		2.928.943	6.775.277
Income tax receivable		10.673.111	7.445.091
Receivables		22.614.902	17.672.349
Cash		46.257.605	47.736.710
Current assets		68.872.507	65.409.059
Assets		95.516.124	82.603.245

Parent balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		6.830.127	4.511.100
Retained earnings		60.540.159	46.114.272
Equity		67.495.286	50.750.372
Trade payables		4.468.395	4.699.626
Payables to group enterprises		1.782.421	2.860.815
Income tax payable		1.027.871	1.318.601
Other payables		20.742.151	22.973.831
Current liabilities other than provisions		28.020.838	31.852.873
Liabilities other than provisions		28.020.838	31.852.873
Equity and liabilities		95.516.124	82.603.245
Unrecognised rental and lease commitments	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2016

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	4.511.100	46.114.272	50.750.372
Exchange rate adjustments	0	0	(2.100.961)	(2.100.961)
Profit/loss for the year	0	2.319.027	16.526.848	18.845.875
Equity end of year	125.000	6.830.127	60.540.159	67.495.286

Notes to parent financial statements

	2016 DKK	2015 DKK
1. Staff costs		
Wages and salaries	123.545.769	121.706.396
Pension costs	9.680.324	9.718.936
Other staff costs	2.408.848	1.771.590
	135.634.941	133.196.922
Average number of employees	124	129
	2016 DKK	2015 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	5.162.552	7.375.113
Profit/loss from sale of intangible assets and property, plant and equipment	236.406	0
	5.398.958	7.375.113
	2016 DKK	2015 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	(754.895)	781.032
Change in deferred tax for the year	(2.522.497)	3.400
Adjustment concerning previous years	(1.732.264)	(3.982.066)
	(5.009.656)	(3.197.634)
Tax on profit for the year is affected by income relating to R&D tax credit of DKK 6.2 million (2015: DKK 8.4 million).		
	2016 DKK	2015 DKK
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	2.319.027	1.982.560
Retained earnings	16.526.848	15.293.907
	18.845.875	17.276.467

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	15.632.442	14.721.262	
Exchange rate adjustments	(844.996)	(847.308)	
Additions	5.181.078	4.625.670	
Disposals	(976.635)	(5.037.784)	
Cost end of year	18.991.889	13.461.840	
Depreciation and impairment losses beginning of the year	(11.140.967)	(10.664.547)	
Exchange rate adjustments	668.441	808.947	
Depreciation for the year	(2.641.522)	(2.465.150)	
Reversal regarding disposals	802.704	4.975.633	
Depreciation and impairment losses end of the year	(12.311.344)	(7.345.117)	
Carrying amount end of year	6.680.545	6.116.723	
	Investments in group enterprises DKK	Deposits DKK	Deferred tax DKK
6. Fixed asset investments			
Cost beginning of year	223.923	3.896.610	7.600
Additions	0	312.210	2.589.980
Cost end of year	223.923	4.208.820	2.597.580
Revaluations beginning of year	4.517.858	0	0
Exchange rate adjustments	(20.859)	0	0
Share of profit/loss for the year	2.319.027	0	0
Revaluations end of year	6.816.026	0	0
Carrying amount end of year	7.039.949	4.208.820	2.597.580

Notes to parent financial statements

	2016 DKK	2015 DKK
7. Deferred tax		
Property, plant and equipment	2.597.580	7.600
	2.597.580	7.600

Changes during the year

Beginning of year	7.600
Recognised in the income statement	2.589.980
End of year	2.597.580

	2016 DKK	2015 DKK
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	38.100.000	37.200.000

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.