

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

Annual report 2017

The Annual General Meeting adopted the annual report on 15.04.2018

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 2017	8
Consolidated balance sheet at 31.12.2017	9
Consolidated statement of changes in equity for 2017	11
Consolidated cash flow statement for 2017	12
Notes to consolidated financial statements	13
Parent income statement for 2017	16
Parent balance sheet at 31.12.2017	17
Parent statement of changes in equity for 2017	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: 01.01.2017 - 31.12.2017

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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

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 15.04.2018

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 01.01.2017 - 31.12.2017, 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 01.01.2017 - 31.12.2017 give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 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, 15.04.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	269.373	260.762	252.826	219.556	196.685
Gross profit/loss	212.576	198.891	186.595	163.482	133.090
Operating profit/loss	19.275	15.828	15.420	13.400	11.953
Net financials	(213)	(751)	(289)	152	239
Profit/loss for the year	19.899	18.846	17.276	9.240	12.213
Total assets	145.264	102.613	86.844	63.773	52.738
Investments in property, plant and equipment	25.775	12.150	2.200	1.776	17.796
Equity	86.784	67.495	50.750	32.872	23.297
Employees in average	164	174	172	155	141
Ratios					
Gross margin (%)	78,9	76,3	73,8	74,5	67,7
Net margin (%)	7,4	7,2	6,8	4,2	6,2
Return on equity (%)	25,8	31,9	41,3	32,9	71,2
Equity ratio (%)	59,7	65,8	58,4	51,5	44,2

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 2017 amounts to DKK 19,899 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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Revenue		269.373.272	260.761.828
Other operating income		618.716	222.958
Other external expenses		(57.415.741)	(62.094.045)
Gross profit/loss		212.576.247	198.890.741
Staff costs	1	(185.527.237)	(177.516.314)
Depreciation, amortisation and impairment losses	2	(7.773.968)	(5.546.506)
Operating profit/loss		19.275.042	15.827.921
Other financial income		5	2.902
Other financial expenses		(213.180)	(753.920)
Profit/loss before tax		19.061.867	15.076.903
Tax on profit/loss for the year	3	837.502	3.768.972
Profit/loss for the year	4	19.899.369	18.845.875

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		10.401.371	9.029.370
Leasehold improvements		22.514.914	6.116.723
Property, plant and equipment	5	32.916.285	15.146.093
Deposits		2.625.514	4.931.603
Deferred tax	7	4.273.848	2.967.391
Fixed asset investments	6	6.899.362	7.898.994
Fixed assets		39.815.647	23.045.087
Receivables from group enterprises		51.950.911	9.012.848
Other receivables		5.449.193	4.235.983
Income tax receivable		15.608.926	10.673.111
Receivables		73.009.030	23.921.942
Cash		32.439.023	55.646.466
Current assets		105.448.053	79.568.408
Assets		145.263.700	102.613.495

Consolidated balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		125.000	125.000
Retained earnings		86.659.007	67.370.286
Equity		86.784.007	67.495.286
Trade payables		5.036.554	7.779.333
Payables to group enterprises		22.392.754	0
Income tax payable		3.904.145	2.224.597
Other payables		27.146.240	25.114.279
Current liabilities other than provisions		58.479.693	35.118.209
Liabilities other than provisions		58.479.693	35.118.209
Equity and liabilities		145.263.700	102.613.495
Unrecognised rental and lease commitments	9		
Mortgages and securities	10		
Subsidiaries	11		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	67.370.286	67.495.286
Exchange rate adjustments	0	(610.648)	(610.648)
Profit/loss for the year	0	19.899.369	19.899.369
Equity end of year	125.000	86.659.007	86.784.007

Consolidated cash flow statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Operating profit/loss		19.275.042	15.827.921
Amortisation, depreciation and impairment losses		7.773.968	5.546.506
Working capital changes	8	(22.469.336)	(1.759.119)
Cash flow from ordinary operating activities		4.579.674	19.615.308
Financial income received		0	2.902
Financial income paid		(213.175)	(753.920)
Income taxes refunded/(paid)		(3.807.991)	(3.043.634)
Cash flows from operating activities		558.508	15.820.656
Acquisition etc of property, plant and equipment		(25.774.744)	(12.149.634)
Acquisition of fixed asset investments		0	(1.318.311)
Sale of fixed asset investments		2.306.089	0
Cash flows from investing activities		(23.468.655)	(13.467.945)
Increase/decrease in cash and cash equivalents		(22.910.147)	2.352.711
Cash and cash equivalents beginning of year		55.646.466	54.901.562
Currency translation adjustments of cash and cash equivalents		(297.296)	(1.607.807)
Cash and cash equivalents end of year		32.439.023	55.646.466

Notes to consolidated financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	165.317.081	159.790.159
Pension costs	12.016.006	14.910.593
Other staff costs	8.194.150	2.815.562
	185.527.237	177.516.314

Average number of employees	164	174
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	2017 DKK	2016 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	7.773.968	5.546.506
	7.773.968	5.546.506

	2017 DKK	2016 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	2.281.423	536.729
Change in deferred tax for the year	(1.389.226)	(2.892.386)
Adjustment concerning previous years	(1.729.699)	(1.413.315)
	(837.502)	(3.768.972)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 6.5 million (2016: DKK 6.2 million).

	2017 DKK	2016 DKK
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	11.603	0
Retained earnings	19.887.766	18.845.875
	19.899.369	18.845.875

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	21.892.888	13.461.839
Exchange rate adjustments	(226.248)	(165.766)
Additions	6.256.679	19.518.061
Disposals	(6.479.274)	0
Cost end of year	21.444.045	32.814.134
Depreciation and impairment losses beginning of the year	(12.863.512)	(7.345.118)
Exchange rate adjustments	142.996	3.849
Depreciation for the year	(4.801.432)	(2.957.951)
Reversal regarding disposals	6.479.274	0
Depreciation and impairment losses end of the year	(11.042.674)	(10.299.220)
Carrying amount end of year	10.401.371	22.514.914
	Deposits DKK	Deferred tax DKK
6. Fixed asset investments		
Cost beginning of year	4.931.603	4.273.848
Additions	331.813	0
Disposals	(2.637.902)	0
Cost end of year	2.625.514	4.273.848
Carrying amount end of year	2.625.514	4.273.848
	2017 DKK	2016 DKK
7. Deferred tax		
Intangible assets	4.273.848	2.967.391
	4.273.848	2.967.391
Changes during the year		
Beginning of year	2.967.391	
Recognised in the income statement	1.306.457	
End of year	4.273.848	

Notes to consolidated financial statements

	2017 DKK	2016 DKK
8. Change in working capital		
Increase/decrease in receivables	(21.758.519)	(1.476.272)
Increase/decrease in trade payables etc	(710.817)	(282.847)
	(22.469.336)	(1.759.119)

	2017 DKK	2016 DKK
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	47.800.000	49.700.000

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 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Revenue		182.366.289	202.435.235
Other operating income		618.716	222.958
Other external expenses		(37.297.736)	(49.356.210)
Gross profit/loss		145.687.269	153.301.983
Staff costs	1	(127.716.762)	(135.634.941)
Depreciation, amortisation and impairment losses	2	(4.765.785)	(5.398.958)
Operating profit/loss		13.204.722	12.268.084
Income from investments in group enterprises		4.215.676	2.319.027
Other financial income		0	2.897
Other financial expenses		(236.989)	(753.789)
Profit/loss before tax		17.183.409	13.836.219
Tax on profit/loss for the year	3	2.715.960	5.009.656
Profit/loss for the year	4	19.899.369	18.845.875

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Other fixtures and fittings, tools and equipment		3.674.041	6.680.545
Leasehold improvements		4.572.624	6.116.723
Property, plant and equipment	5	8.246.665	12.797.268
Investments in group enterprises		11.267.228	7.039.949
Deposits		1.688.991	4.208.820
Deferred tax	7	2.710.326	2.597.580
Fixed asset investments	6	15.666.545	13.846.349
Fixed assets		23.913.210	26.643.617
Receivables from group enterprises		51.950.911	9.012.848
Other receivables		2.050.963	2.928.943
Income tax receivable		15.608.926	10.673.111
Receivables		69.610.800	22.614.902
Cash		15.895.079	46.257.605
Current assets		85.505.879	68.872.507
Assets		109.419.089	95.516.124

Parent balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		11.043.305	6.830.127
Retained earnings		75.615.702	60.540.159
Equity		86.784.007	67.495.286
Trade payables		1.634.175	4.468.395
Payables to group enterprises		0	1.782.421
Income tax payable		783.730	1.027.871
Other payables		20.217.177	20.742.151
Current liabilities other than provisions		22.635.082	28.020.838
Liabilities other than provisions		22.635.082	28.020.838
Equity and liabilities		109.419.089	95.516.124
Unrecognised rental and lease commitments	8		
Mortgages and securities	9		
Related parties with controlling interest	10		

Parent statement of changes in equity for 2017

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	125.000	6.830.127	60.551.762	67.506.889
Exchange rate adjustments	0	0	(622.251)	(622.251)
Transfer to reserves	0	(14.101)	14.101	0
Profit/loss for the year	0	4.227.279	15.672.090	19.899.369
Equity end of year	125.000	11.043.305	75.615.702	86.784.007

Notes to parent financial statements

	2017 DKK	2016 DKK
1. Staff costs		
Wages and salaries	116.058.109	123.545.769
Pension costs	6.216.695	6.476.796
Other staff costs	5.441.958	5.612.376
	127.716.762	135.634.941

Average number of employees	107	124
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	2017 DKK	2016 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	4.765.785	5.162.552
Profit/loss from sale of intangible assets and property, plant and equipment	0	236.406
	4.765.785	5.398.958

	2017 DKK	2016 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	(882.554)	(754.895)
Change in deferred tax for the year	(196.370)	(2.522.497)
Adjustment concerning previous years	(1.637.036)	(1.732.264)
	(2.715.960)	(5.009.656)

Tax on profit for the year is affected by income relating to R&D tax credit of DKK 6.5 million (2016: DKK 6.2 million).

	2017 DKK	2016 DKK
4. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	4.227.279	2.319.027
Retained earnings	15.672.090	16.526.848
	19.899.369	18.845.875

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	18.991.892	13.461.839	
Exchange rate adjustments	(230.334)	(165.766)	
Additions	229.489	217.604	
Disposals	(6.479.274)	0	
Cost end of year	12.511.773	13.513.677	
Depreciation and impairment losses beginning of the year	(12.311.342)	(7.345.118)	
Exchange rate adjustments	143.774	3.849	
Depreciation for the year	(3.149.438)	(1.599.784)	
Reversal regarding disposals	6.479.274	0	
Depreciation and impairment losses end of the year	(8.837.732)	(8.941.053)	
Carrying amount end of year	3.674.041	4.572.624	
	Investments in group enterprises DKK	Deposits DKK	
6. Fixed asset investments		Deferred tax DKK	
Cost beginning of year	223.923	4.208.820	2.710.326
Disposals	0	(2.519.829)	0
Cost end of year	223.923	1.688.991	2.710.326
Revaluations beginning of year	6.816.026	0	0
Exchange rate adjustments	11.603	0	0
Share of profit/loss for the year	4.215.676	0	0
Revaluations end of year	11.043.305	0	0
Carrying amount end of year	11.267.228	1.688.991	2.710.326

Notes to parent financial statements

	2017 DKK	2016 DKK
7. Deferred tax		
Property, plant and equipment	2.710.326	2.597.580
	2.710.326	2.597.580

Changes during the year

Beginning of year	2.597.580
Recognised in the income statement	112.746
End of year	2.710.326

	2017 DKK	2016 DKK
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	29.600.000	38.100.000

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.