

SYBO HOLDING ApS

Jorcks Passage 1 A, 4.
1162 Copenhagen K
Central Business Registration
No 33773773

Annual report 2018

The Annual General Meeting adopted the annual report on 12.04.2019

Chairman of the General Meeting

Name: Mathias Gredal Coskun Nørvig

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Entity details

Entity

SYBO HOLDING ApS
Jorcks Passage 1 A, 4.
1162 Copenhagen K

Central Business Registration No (CVR): 33773773
Registered in: Copenhagen
Financial year: 01.01.2018 - 31.12.2018

Executive Board

Bodie Daniel Jahn-Mulliner, CEO
Mathias Gredal Coskun Nørvig
Erik Sylvester Rishøj Jensen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SYBO HOLDING 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, 12.04.2019

Executive Board

Bodie Daniel Jahn-Mulliner
CEO

Mathias Gredal Coskun Nørvig

Erik Sylvester Rishøj Jensen

Independent auditor's report

To the shareholders of SYBO HOLDING ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of SYBO HOLDING 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 the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements 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 the 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 the 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 the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 the 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 the parent financial statements

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

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these 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 the 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 Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 the parent financial statements, including the disclosures in the notes, and whether the consolidated 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the 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 the 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 the 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 the 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, 12.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127

Sune Baadsager Holm
State Authorised Public Accountant
Identification No (MNE) mne35443

Management commentary

	2018 DKK'000	2017 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Gross profit	61.506	46.056	143.859	162.365	226.145
Operating profit/loss	(18.146)	1.779	106.855	135.166	211.485
Net financials	(8.864)	1.557	20.593	(11.294)	12.690
Profit/loss for the year	(25.455)	2.631	99.318	96.592	172.296
Total assets	418.927	436.683	434.550	379.131	327.028
Investments in property, plant and equipment	-	60.781	120	-	-
Equity	321.901	347.920	365.290	285.972	269.380
Average numbers of employees	80	60	47	40	27
Ratios					
Return on equity (%)	(7,6)	0,7	30,5	34,8	64,0
Equity ratio (%)	76,8	79,7	84,1	75,4	82,4

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

Ratios	Calculation formula	Calculation formula reflects
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 Company's primary activities comprise development of proprietary universes for smartphones, animation and merchandise.

Development in activities and finances

It has been a great year further developing the global appeal of SYBO's main IP, SUBWAY SURFERS, its core, the animated content around it and the agents pursuing licensing deals. The other gaming teams continuously innovate in new gameplay, game mechanics and monetization efforts.

In mid-2018, Subway Surfers breached the two billion download mark and continued with a great second half of 2018, ending on 2.4 billion downloads across mobile platforms. Revenue is still stagnating, albeit the game still currently have 20 mio. active users entertained every day.

The financial results reflect a full commitment to remaining the biggest and most progressive mobile gaming company in Denmark. SYBO can pride itself of spearheading the national industry efforts, making the political environment aware of the industry's potential and introducing smaller studios to international contacts. All in the name of more creativity, more creative jobs and having the best conditions for having fun and making fun products.

The hard work attracting the best talents on a global scale continued into 2018 and the number of employees increased to more than 90 people representing 20 countries.

SYBO's financial investments are based on a strong impact portfolio, and active risk management strategy. The company's overall performance for the year is satisfactory and in line with our plans and expectations.

Financial results are in line with expectations due to accelerated investment in remaining the biggest and most progressive mobile gaming company in Denmark.

The previous financial year included an 8-month period from 01.05.2017 to 31.12.2017 and is therefore not comparable with the current financial year.

Outlook

The keywords for the future will be innovation and growth, and we expect the 2019 financial performance to reach the same level as this year, with new commercial releases expected in late 2019.

We will keep pursuing exciting and innovative opportunities and will keep recruiting and retaining world class talent governed by our shared common SYBO values.

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>
Gross profit		61.505.825	46.056.203
Staff costs	1	(58.936.243)	(31.112.217)
Depreciation, amortisation and impairment losses	2	(20.715.474)	(13.164.573)
Operating profit/loss		(18.145.892)	1.779.413
Other financial income		8.002.610	8.327.011
Impairment losses on financial assets		(250.000)	0
Other financial expenses		(16.616.802)	(6.770.259)
Profit/loss before tax		(27.010.084)	3.336.165
Tax on profit/loss for the year	3	1.554.804	(705.585)
Profit/loss for the year	4	(25.455.280)	2.630.580

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Acquired intangible assets		57.569.509	77.316.368
Intangible assets	5	57.569.509	77.316.368
Investment property		59.931.703	60.900.318
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment	6	59.931.703	60.900.318
Investments in associates		4.963.160	0
Other investments		26.463.313	15.701.597
Deferred tax	8	644.360	0
Fixed asset investments	7	32.070.833	15.701.597
Fixed assets		149.572.045	153.918.283
Trade receivables		33.101.411	36.722.827
Receivables from associates		26.292	25.773
Other receivables		2.886.768	4.982.665
Income tax receivable		6.487.589	0
Receivables from owners and management		0	43.722
Prepayments		525.491	275.508
Receivables		43.027.551	42.050.495
Other investments		203.494.573	230.346.758
Other investments		203.494.573	230.346.758
Cash		22.832.841	10.367.899
Current assets		269.354.965	282.765.152
Assets		418.927.010	436.683.435

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		80.000	80.000
Retained earnings		321.821.123	347.840.202
Equity		321.901.123	347.920.202
Deferred tax	8	0	910.444
Provisions		0	910.444
Mortgage debt		31.169.475	31.714.067
Non-current liabilities other than provisions	9	31.169.475	31.714.067
Current portion of long-term liabilities other than provisions	9	548.372	576.313
Deposits		1.100.899	1.098.800
Trade payables		2.757.851	5.743.862
Payables to group enterprises		1	0
Payables to associates		611.619	44.162
Income tax payable		0	1.532.322
Other payables		56.113.483	47.065.618
Deferred income		4.724.187	77.645
Current liabilities other than provisions		65.856.412	56.138.722
Liabilities other than provisions		97.025.887	87.852.789
Equity and liabilities		418.927.010	436.683.435
Contingent liabilities	11		
Assets charged and collateral	12		
Subsidiaries	13		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	80.000	347.280.202	347.360.202
Other entries on equity	0	(3.799)	(3.799)
Profit/loss for the year	0	(25.455.280)	(25.455.280)
Equity end of year	80.000	321.821.123	321.901.123

Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Operating profit/loss		(18.145.892)	1.779.413
Amortisation, depreciation and impairment losses		20.715.474	13.164.573
Working capital changes	10	14.299.889	5.443.169
Cash flow from ordinary operating activities		16.869.471	20.387.155
Financial income received		4.890.497	6.269.086
Financial expenses paid		236.916	(11.465.776)
Income taxes refunded/(paid)		(8.019.911)	(17.652.567)
Other cash flows from operating activities		3.799	0
Cash flows from operating activities		13.980.772	(2.462.102)
Acquisition etc of property, plant and equipment		0	(60.498.180)
Acquisition of fixed asset investments		(10.165.087)	(1.629.075)
Acquisition of enterprises		(4.963.160)	0
Acquisition of other investments		(42.064.631)	(62.747.950)
Divestment of other investments		56.809.581	45.377.517
Cash flows from investing activities		(383.297)	(79.497.688)
Loans raised		0	32.400.000
Repayments of loans etc		(572.533)	(109.620)
Dividend paid		(560.000)	(20.000.000)
Cash flows from financing activities		(1.132.533)	12.290.380
Increase/decrease in cash and cash equivalents		12.464.942	(69.669.410)
Cash and cash equivalents beginning of year		10.367.899	80.037.309
Cash and cash equivalents end of year		22.832.841	10.367.899

Notes to consolidated financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	53.149.181	27.258.458
Pension costs	2.671.360	1.448.545
Other social security costs	181.640	91.199
Other staff costs	2.934.062	2.314.015
	58.936.243	31.112.217
Average number of employees	80	60
	Remunera- tion of manage- ment 2018 DKK	Remunera- tion of manage- ment 2017 DKK
Executive Board	6.007.746	3.639.118
	6.007.746	3.639.118
	2018 DKK	2017 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	19.746.859	13.164.573
Depreciation of property, plant and equipment	968.615	0
	20.715.474	13.164.573
	2018 DKK	2017 DKK
3. Tax on profit/loss for the year		
Current tax	0	880.196
Change in deferred tax	(1.554.804)	(174.611)
	(1.554.804)	705.585
	2018 DKK	2017 DKK
4. Proposed distribution of profit/loss		
Retained earnings	(25.455.280)	2.630.580
	(25.455.280)	2.630.580

Notes to consolidated financial statements

	Acquired intangible assets DKK
5. Intangible assets	
Cost beginning of year	98.734.296
Cost end of year	98.734.296
Amortisation and impairment losses beginning of year	(21.417.928)
Amortisation for the year	(19.746.859)
Amortisation and impairment losses end of year	(41.164.787)
Carrying amount end of year	57.569.509

	Investment property DKK	Other fixtures and fittings, tools and equipment DKK
6. Property, plant and equipment		
Cost beginning of year	60.900.318	63.837
Cost end of year	60.900.318	63.837
Depreciation and impairment losses beginning of year	0	(63.837)
Depreciation for the year	(968.615)	0
Depreciation and impairment losses end of year	(968.615)	(63.837)
Carrying amount end of year	59.931.703	0

	Investments in associates DKK	Other investments DKK	Deferred tax DKK
7. Fixed asset investments			
Cost beginning of year	0	15.701.597	0
Addition through business combinations etc	4.963.160	0	0
Exchange rate adjustments	0	846.628	0
Additions	0	10.165.088	644.360
Disposals	0	(250.000)	0
Cost end of year	4.963.160	26.463.313	644.360
Carrying amount end of year	4.963.160	26.463.313	644.360

8. Deferred tax

Deferred tax assets is tax losses recognized due to its expected use in the group.

Notes to consolidated financial statements

	Due within 12 months 2018 DKK	Due within 12 months 2017 DKK	Due after more than 12 months 2018 DKK	Outstanding after 5 years DKK
9. Liabilities other than provisions				
Mortgage debt	548.372	576.313	31.169.475	29.093.822
	548.372	576.313	31.169.475	29.093.822

	2018 DKK	2017 DKK
10. Change in working capital		
Increase/decrease in receivables	3.371.106	1.380.704
Increase/decrease in trade payables etc	10.928.783	4.062.465
	14.299.889	5.443.169

11. Contingent liabilities

SYBO ApS has entered into a rent agreement which is irrevocable up to and until 30 April 2019 corresponding to a liability of DKK 1.756 thousand.

At the balance sheet date, SYBO ApS is engaged in a trial against the Company. Due to material uncertainty, the Management has not been able to assess the outcome of the pending trial.

12. Assets charged and collateral

As security for all balances with Danske Bank, the company has granted a charge on a portfolio of securities corresponding to DKK 20.387 thousand.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 32.400 thousand nominal. The carrying amount of mortgaged properties is DKK 59.932 thousand.

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK	Profit/loss DKK
13. Subsidiaries					
SYBO ApS	Copenhagen	ApS	100,0	317.668.291	(25.453.097)
SYBO 2 ApS	Copenhagen	ApS	100,0	3.860.078	30.640
Ejendomsselskabet Bagsværdlund ApS	Copenhagen	ApS	100,0	97.201	397.177
SYBO PeopleCo A/S	Copenhagen	A/S	100,0	499.330	(670)

Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross loss		(181.919)	(38.000)
Staff costs	1	(225.105)	0
Operating profit/loss		(407.024)	(38.000)
Income from investments in group enterprises		(25.025.950)	2.666.741
Other financial expenses		(143.399)	(13.231)
Profit/loss before tax		(25.576.373)	2.615.510
Tax on profit/loss for the year	2	121.093	11.271
Profit/loss for the year	3	(25.455.280)	2.626.781

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Investments in group enterprises		322.227.375	347.313.325
Fixed asset investments	4	<u>322.227.375</u>	<u>347.313.325</u>
Fixed assets		<u>322.227.375</u>	<u>347.313.325</u>
Receivables from group enterprises		0	464.870
Other receivables		900	900
Income tax receivable		6.398.095	11.271
Receivables		<u>6.398.995</u>	<u>477.041</u>
Cash		<u>503.537</u>	<u>208.199</u>
Current assets		<u>6.902.532</u>	<u>685.240</u>
Assets		<u>329.129.907</u>	<u>347.998.565</u>

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		80.000	80.000
Reserve for net revaluation according to the equity method		321.517.375	347.103.325
Retained earnings		303.748	173.078
Proposed dividend		0	560.000
Equity		<u>321.901.123</u>	<u>347.916.403</u>
Trade payables		38.000	38.000
Payables to group enterprises		6.567.869	0
Payables to associates		611.620	44.162
Other payables		11.295	0
Current liabilities other than provisions		<u>7.228.784</u>	<u>82.162</u>
Liabilities other than provisions		<u>7.228.784</u>	<u>82.162</u>
Equity and liabilities		<u>329.129.907</u>	<u>347.998.565</u>
Contingent liabilities	5		
Related parties with controlling interest	6		

Parent statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	80.000	347.103.325	173.078	560.000
Ordinary dividend paid	0	0	0	(560.000)
Dividends from group enterprises	0	(560.000)	560.000	0
Profit/loss for the year	0	(25.025.950)	(429.330)	0
Equity end of year	80.000	321.517.375	303.748	0
				Total DKK
Equity beginning of year				347.916.403
Ordinary dividend paid				(560.000)
Dividends from group enterprises				0
Profit/loss for the year				(25.455.280)
Equity end of year				321.901.123

Notes to parent financial statements

	2018 DKK	2017 DKK
1. Staff costs		
Wages and salaries	205.401	0
Pension costs	18.000	0
Other social security costs	1.704	0
	225.105	0
Average number of employees	1	0
	2018 DKK	2017 DKK
2. Tax on profit/loss for the year		
Current tax	(121.093)	(11.271)
	(121.093)	(11.271)
	2018 DKK	2017 DKK
3. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	560.000
Retained earnings	(25.455.280)	2.066.781
	(25.455.280)	2.626.781
		Invest- ments in group enterprises DKK
4. Fixed asset investments		
Cost beginning of year		210.000
Additions		500.000
Cost end of year		710.000
Revaluations beginning of year		347.103.325
Share of profit/loss for the year		(25.075.950)
Dividend		(560.000)
Revaluations for the year		50.000
Revaluations end of year		321.517.375
Carrying amount end of year		322.227.375

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

5. Contingent liabilities

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

Click here to enter text.

6. Related parties with controlling interest

The shareholders of the company consists of:

- B. Jahn-Mulliner Holding ApS (controls 50% of the shares)
- S. Rishøj Holding ApS (controls 50% of the shares)

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 with the exception of investment property are measured at cost less accumulated depreciation and impairment losses. The basis for the change in accounting policies is that additional utility value associated with the measurement at fair value does not match with the effort. The change in accounting policies does effect income statement nor the balance sheet in the annual report.

Non-comparability

The previous financial year included an 8-month period from 01.05.2017 to 31.12.2017 and is therefore not comparable with the current 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.

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.

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

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Fair value adjustments of investment property

Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Accounting policies

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, 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

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

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities 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.

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

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.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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 year
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Estimated useful lives and residual values are reassessed annually.

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

Investment property

Investment properties 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.

Investment property	25-30 years
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Estimated useful lives and residual values are reassessed annually.

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

Accounting policies

Investments in group enterprises

In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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

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

Investments in associates

Investments in associates are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Deferred tax

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

Deferred tax assets, including the tax base of tax loss carry forwards, 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.

Prepayments

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

Accounting policies

Other investments

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date and unlisted investments measured at the lower of cost and net realisable value.

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

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 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.

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, instalments on interest-bearing debt, and payment of dividend.

Cash and cash equivalents comprise cash.