

ANNUAL REPORT 2023

Hypefactors A/S, Kronprinsessegade 8 B, 4.
DK-1306 København. CVR Nr. 36682604

The Annual Report was presented and adopted at
the Annual General Meeting of the Company on
30/5 2024

Martin Michael Hansen
Chairman of the General Meeting

hypefactors 

This document is confidential



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MANAGEMENT'S STATEMENT

Today, the Board of Directors and the Managing Director have approved the annual report of Hypefactors A/S for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act. We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Managing Director

Casper Janns
CEO

Board of directors

Martin Michael Hansen

Rafael Adrian Müllener Cifuentes

Kasper Holton Hülsen

Pierre-André Montjovet



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hypefactors A/S

Report on the Financial Statements

OPINION

We have audited the financial statements of Hypefactors A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The Company has described capital resources and going concern in note 1. We refer to the description in note 1.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

Identify and assess the risks of material misstatement of the 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 MANAGEMENT'S REVIEW**

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen,
Christensen Kjarulff
Company reg. no. 15 91 56 41

Martin Dyhr Jørgensen
State Authorised Public Accountant
mne41362

COMPANY INFORMATION

The Company

Hypefactors A/S
Kronprinsessegade 8 B, 4.
DK-1306 København K
CVR No: 36 68 26 04
Financial period: 1 January - 31 December
Incorporated: 12 March 2015
Municipality of reg. office: København
Telephone: + 45 31152424
E-mail: info@hypefactors.com
Website: www.hypefactors.com

Board of Directors

Martin Michael Hansen, Chairman
Rafael Adrian Müllener Cifuentes
Kasper Holton Hülsem
Pierre-André Montjovet

Managing Director

Casper Janns

Auditors

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Østbanegade 123
2100 København Ø

Subsidiary

Hypefactors Limited, London, UK

11,219,218

Revenue in DKK

01-01-2023 - 31-12-2023

13,024,396

ARR in DKK

31-12-2023

Management's Review

KEY ACTIVITIES

Hypefactors is an AI technology company that delivers solutions for media intelligence, reputation and corporate trust analysis, primarily used by management, business intelligence and communications specialists. The tech and the Hypefactors platform is used to ensure better media intelligence, reputation management and trust tracking. Through integrated solutions, Hypefactors empowers clients to make more informed decisions and bridging the gaps when it comes to managing the increasingly important aspects of reputation and trust management. Clients are provided with a complete overview of how their company, brands, relevant peer groups and industries are mentioned by third-parties across editorial and social media. Hypefactors utilizes its NLP based artificial intelligence (AI) to turn big amounts of unstructured data into smart data and unique insights for its clients. Hypefactors combine data, analytics, technology and tools to provide a unified and easy-to-use experience, incl. advanced analytics. The Hypefactors' platform includes national and global media monitoring, analytics, media reporting, media database, digital newsrooms and news distribution. API based feeds of enriched data are also available as the company offers the capacity and flexibility to sync data sets to many IT infrastructures. The artificial intelligence (AI) and machine learning driven solution helps organizations improve the performance, save time and reduce costs.

DEVELOPMENT IN THE YEAR

Revenue for the period amounted to DKK 11.219M, compared to DKK 9.384M in 2022, corresponding to an increase of 20%. Earnings before interest, tax, depreciation and amortization (EBTIDA) amounted to DKK 1.974m, compared to 0.333M in 2022, corresponding to an increase of 493%.

Hypefactors reached an annual recurring revenue (ARR*) of DKK 13.024M per December 31, 2023, (2022: 10.625M) which is an increase over the last twelve months of 23%. There was an influx of enterprise clients from several countries. For 2023, the main commercial focus was on direct sales to enterprise clients utilizing the full media intelligence platform. Several large UK clients were signed by our team based in London, making the outlook for our UK office promising.

CORRECTION

Material errors have been identified in the annual report for 2022: Reserve for development costs was recognised with DKK 6.387 thousand, the correct amount was DKK 10.939 thousand. Retained earnings were recognised with DKK -8.896 thousand, the correct amount was DKK -13.448 thousand. The error has been corrected in the annual report for 2023. The change in classification has no effect on the net profit or loss for the year, nor on the statement of financial position, neither for the current financial year, nor the previous financial year. The comparative figures have been adjusted in accordance with the reclassification.

*ARR is defined as 12 X MRR (Monthly Recurring Revenue) end of December 2023.

TECHNOLOGICAL SOLUTION

The full Hypefactors SaaS solution, including platforms and enriched intelligence /reputation data, consists of these main parts:

Finding relevant news media data: The most extensive crawling of worldwide media data. Helps users to always be on top of the relevant news stories.

Enriching news data: Readership, sentiment/reputation, media type, market and more. Understanding cultural and linguistic diversity, implicit contexts, biases and ambiguity. Turns 'big data' into 'smart data' and provides the users with real-time insights into relevant reputation and earned media performance metrics.

Setting the information into context. Benchmark, comparisons, understandings.

Easy-to-access and ready-to-use data. Desktop platform, mobile app, email alerts. Making everyday life easier for the users.

Workflow optimization: Automated media reports, newsrooms, news distribution and more. 100% integrated. Saves the users time and helps professionalize communications processes.

INNOVATIONS

Again in 2023, Hypefactors continued to launch major upgrades to its artificial intelligence, increasing the quality of the company's media insights solution to a level that is unmatched in the industry. The AI technology stack, called 'Atlastic.a' was improved on several dimensions, including the NOI (Names of Interest, which is our proprietary AI-based named entity recognition (NER), the reputation-AI, and the ESG-AI (which can categorize media coverage in all languages along 26 environmental, social and governance dimensions to facilitate ESG sustainability reporting and compliance).

Worth mentioning is also the launch of our unique AI solution program for more precise print media processing in media intelligence. It enables Hypefactors to deliver a magnitude larger print coverage than any competitor within media intelligence, and to deliver a superior solution to large enterprises with cross-border media presence.

In October 2022, Hypefactors kicked off a 10-months AI development project named 'New Print PDF Processing Program'. The special AI effort was backed by the Innovation Fund Denmark and was finalized within the timeline mid 2023. The AIs developed are uniquely superior for its multilingual and multi-modal qualities: It includes an encoder design also found in modern generative AIs like ChatGPT, and is combined with computer vision algorithms and an automated reasoning engine also found for development of safety-critical systems such as satellites. It will benefit current and new clients.

We further boosted the machine learning operations architecture: Originally designed in 2021, first launched in May 2022, upgraded in December 2022 and again in May 2023, it now enables scaling AI enrichments up to 100 billion machine learning operations per day.

Our AIs encompass all the typical traits and benefits of our DNA: Multilingual for more than 100 languages, accelerated for 24/7 billion-scale operation on the world's media coverage and directly integrated to end-user product features for the benefit of all current and new clients.

On December 1, 2023, we launched a new generation of the Atlastic.ai technology dedicated for sustainability reporting. Atlastic.ai 3.0 takes sustainability intelligence, also known as Perceived ESG, to an unprecedented level of insight. Among the insights, that was made available are:

Company ESG: Real-time and fine-grained ESG tracking in 26 dimensions for +50,000 publicly traded companies worldwide.

Macro ESG: The live updated eagle-eye perspective on ESG perceived for 11 sectors, 74 industries, 300 market indices, all countries and globally (aggregated) for context and strategic sustainability trends. Available in the same level of granularity as Company ESG.

ESG Compare: Benchmark and compare companies with industry-peers and their context (i.e. macro-level) ESG in one simple overview.

Time series ESG: Technical analysis on ESG fluctuations and trends over time. Perceived ESG data is sourced from billions of AI-enriched data points.

This novel form of alternative data and insights targets investment teams, consultancies, sustainability, governance and compliance departments. Perceived ESG furthermore contributes to the European Corporate Sustainability Reporting Directive (CSRD) that will be in effect from 2024 and is enforced for est. 50,000 companies.

Established ESG data providers like Morningstar, S&P, Bloomberg and MSCI curate ESG reports, mostly based on fundamental and reported company data. They are infrequent and emphasize how sustainability trends risk the company's bottom line. Atlastic.ai's Perceived ESG differs markedly by offering real-time updated insights on a company's goodwill in terms of its sustainability reputation and how that impacts share price. Today, ESG reports are missing the latter perceived ESG dimension that is now available through Atlastic.ai.

BUSINESS MODEL

The commercial relations with clients are based on a subscription model. Clients pay a subscription fee priced depending on selected parameters like number of users and data usage. The subscription model generates recurring revenue for as long as the subscription is continued. The commitment period can vary, but the most used initial subscription periods are one or two years. The industry standard is that the subscription license is invoiced upfront at the beginning of each license period. This provides a high degree of financial transparency and stability as the revenue is foreseeable. An important financial metric for Hypefactors, like other SaaS companies, is annual recurring revenue (ARR) which expresses the annualized monetary value of active licenses.

FUTURE DEVELOPMENT

The demand for comprehensive media intelligence and reputation tracking tech solutions is expected to continue to grow. The long-term market potential is expected not to be affected by turbulence and uncertainties emerging from macroeconomic matters. The company is experiencing substantial interest from the market to obtain a media intelligence solution that is better compared to traditional press clipping solutions. The ambition for the current financial year is to continue to accelerate the business, and to deliver a positive cashflow (understood as invoiced revenue exceeding operating costs). The annual report for 2024 will be an 'Extended Review'.

CAPITAL RESOURCES

In 2023 the Company has realized an acceptable growth. The ambition for the financial year 2024 is to accelerate the business and finally reach the point of a positive cashflow. It is an objective to balance the need for a sufficiently strong capital structure with the protection of the shareholders best interest by avoiding heavy dilution. After the balance sheet date, and to support the growth of the business and strengthen the equity and capital resources, the company has agreed to an investor commitment to a private placement (capital increase), that will strengthen the liquidity by MDKK 2.0. Management expects to be able to meet the budgeted growth and that sufficient liquidity will be ensured to finance the activities in 2024. Consequently, Management presents the financial statements on the assumption of the Company's ability to continue as a going concern.

SUBSEQUENT EVENTS

See the section above regarding capital resources. No other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

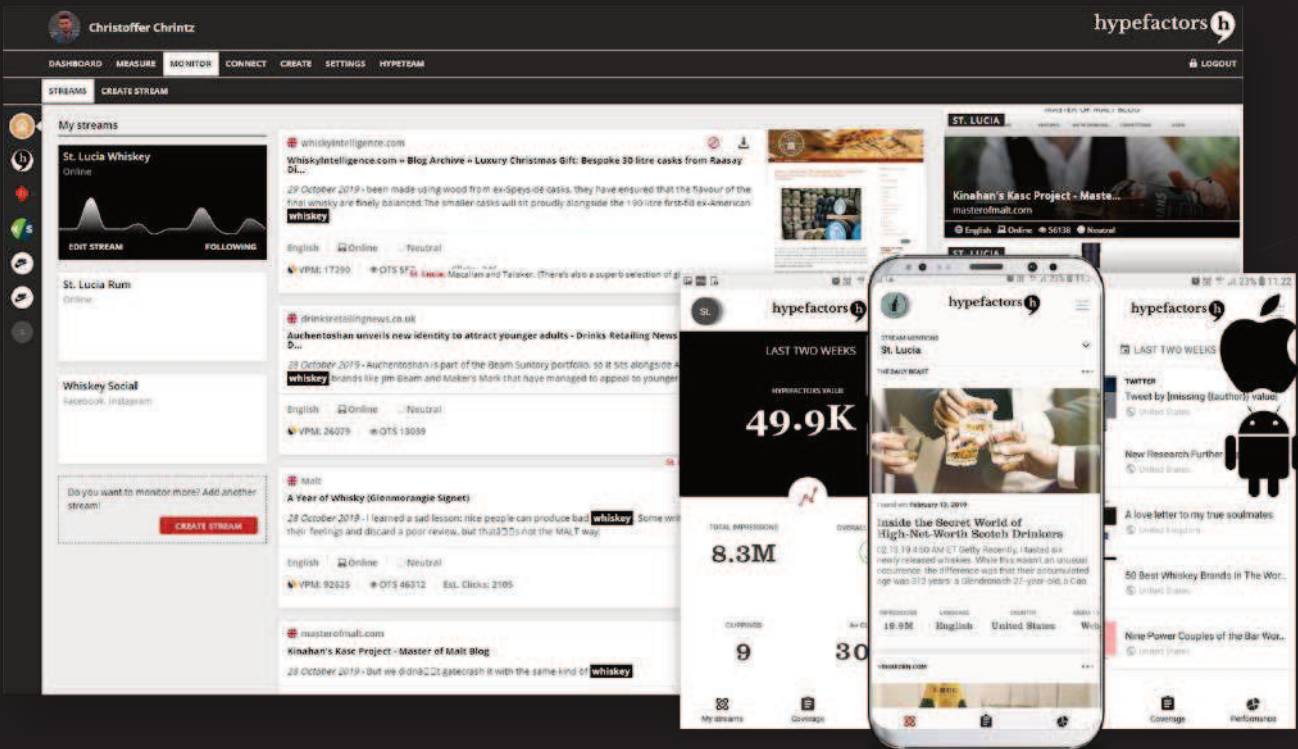


Casper Janns, CEO



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THE FACTS



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INCOME STATEMENT

1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
Revenue		11,219,218	9,384,250
Own work capitalised		6,960,833	7,037,631
Other operating income		1,167,722	133,708
Costs of sales		-4,529,366	-2,955,094
Other external expenses		-4,192,822	-3,537,490
Gross profit		10,625,585	10,063,005
Staff expenses	3	-8,651,622	-9,729,967
Earnings before depreciation		1,973,963	333,038
Amortisation and impairment of intangible assets		-5,881,502	-5,817,300
Operating profit		-3,907,539	-5,484,262
Other financial income		6,032	2,091
Other financial expenses	4	-2,080,235	-1,605,734
Pre-tax net loss		-5,981,742	-7,087,905
Tax on net loss for the year	5	1,448,479	1,556,684
Net profit or loss for the year		-4,533,263	-5,531,221

PROPOSED DISTRIBUTION OF NET PROFIT:

	Note	2023 DKK	2022 DKK
Allocated from retained earnings		-4,533,263	-5,531,221
Total allocations and transfers		-4,533,263	-5,531,221

BALANCE SHEET

31 DECEMBER

ASSETS

Non-current assets	Note	2023 <small>DKK</small>	2022 <small>DKK</small>
Development projects in progress	6	15,103,263	14,023,932
Total intangible assets		15,103,263	14,023,932
Investments in group enterprises	7	9	0
Deposits	8	263,738	241,256
Total investments		263,747	241,256
Total non-current assets		15,367,010	14,265,188

Current assets	Note	2023 <small>DKK</small>	2022 <small>DKK</small>
Trade receivables		1,694,279	2,356,502
Corporation tax receivable, tax credit scheme		1,456,884	1,556,684
Prepayments		8,365	12,804
Total receivables		3,159,528	3,925,990
Cash and cash equivalents		156,752	3,252
Total current assets		3,316,280	3,929,242
Total assets		18,683,290	18,194,430

Liabilities and equity

Equity	Note	2023 <small>DKK</small>	2022 <small>DKK</small>
Contributed capital	9	1,144,373	1,113,866
Reserve for development costs		11,780,545	10,938,667
Retained earnings		-17,854,005	-13,448,359
Total equity		-4,929,087	-1,395,826

Liabilities other than provisions	Note	2023 <small>DKK</small>	2022 <small>DKK</small>
Other payables	10	7,000,000	6,000,000
Total long term liabilities other than provisions		7,000,000	6,000,000
Current portion of long term liabilities		1,250,526	238,047
Trade payables		3,023,104	4,068,793
Payables to shareholders		599,186	126,587
Other payables		2,637,370	2,816,185
Deferred income		9,102,190	6,340,644
Total short term liabilities other than provisions		16,612,376	13,590,256
Total liabilities other than provisions		23,612,376	19,590,256
Total equity and liabilities		18,683,290	18,194,430

Going concern and capital resources	1
Subsequent events	2
Charges and security	11
Contingencies	12

STATEMENT OF CHANGES IN EQUITY

	Contributed capital	Share premium	Reserve for development costs	Retained earnings	Total
Equity 1 January 2022	970,664	0	9,986,805	-13,352,073	-2,394,604
Cash capital increase	143,202	6,386,797	0	0	6,529,999
Retained earnings for the year	0	0	0	-5,531,221	-5,531,221
Transferred to retained earnings	0	-6,386,797	0	6,386,797	0
Transferred from retained earnings	0	0	951,862	-951,862	0
Equity 1 January 2023	1,113,866	0	10,938,667	-13,448,359	-1,395,826
Cash capital increase	30,507	969,495	0	0	1,000,002
Retained earnings for the year	0	0	0	-4,533,263	-4,533,263
Transferred to retained earnings	0	-969,495	0	969,495	0
Transferred from retained earnings	0	0	841,878	-841,878	0
	1,144,373	0	11,780,545	-17,854,005	-4,929,087

NOTES TO THE FINANCIAL STATEMENTS

1 Going concern and capital resources

Again in 2023, the Company has realized revenue growth and the ambition for the financial year 2024 is to continue to accelerate the business and to deliver a positive cash-flow. After the balance sheet date, and to support the growth of the business and strengthen the equity and capital resources, there has been an investor commitment to a private placement (capital increase) that will strengthen the liquidity by MDKK 2.0. Management expects to be able to meet the budgeted growth and conditions, and that sufficient liquidity is ensured to finance the activities in 2024. Consequently, Management presents the financial statements on the assumption of the Company's ability to continue as a going concern.

2 Uncertainty regarding recognition and measurement

The company has carried out an impairment test on intangible assets development projects. The impairment test is prepared based on the Company's budgets, showing an expected growth in 2024 of 20 %. As the Company's recognition and measurement of the intangible assets is based on future events, i.a. the expected future growth, there is a naturally occurring uncertainty regarding the impairment test.

3 Staff expenses

Staff costs		2023 <small>DKK</small>	2022 <small>DKK</small>
Salaries and wages		8,456,079	9,646,786
Pension costs		75,000	-41,011
Other costs for social security		120,543	124,192
		8,651,622	9,729,967
Average number of employees		14	13

4 Other financial expenses

		2023 DKK	2022 DKK
Interest paid to shareholders		323,177	50,000
Other financial costs		1,757,058	1,555,734
		2,080,235	1,605,734

5 Tax on net loss for the year

		2023 DKK	2022 DKK
Tax on net loss for the year		-1,448,479	-1,556,684
		-1,448,479	-1,556,684

6 Development projects in progress

		2023 DKK	2022 DKK
Cost 1 January 2023		34.524.581	27.486.945
Additions during the year		6.960.833	7.037.636
Cost 31 December 2023		41.485.414	34.524.581
Amortisation and write-down 1 January 2023		-20.500.649	-14.683.349
Amortisation and depreciation for the year		-5.881.502	-5.817.300
Amortisation and write-down 31 December 2023		-26.382.151	-20.500.649
Carrying amount, 31 December 2023		15.103.263	14.023.932

During the financial year, the company continued the development of the artificial intelligence (AI) based software platform (SaaS solution) for organizations looking to automate and improve the tracking of media insights and reputations for their brands, competitors, industry and/or other relevant topics. The platform is used by management as well as marketing and communications specialists. Hypefactors delivers a comprehensive and integrated solution that includes global media monitoring, analytics, reporting, media database, digital newsrooms and news distribution. The company's tech product is highly scalable. The solution works across geographic markets, as the target group's basic needs are identical - regardless of geography. The platform helps users automate a range of processes that have otherwise been handled manually and provides users with relevant insights and advantages for their workflow, whether large global companies, small and medium-sized enterprises, NGOs or communications agencies. The total addressable market within the marketing software segment is large and growing rapidly. Hypefactors' solution is cloud-based, internationally scalable, disruptive and with a clearly defined target group.

7 Investments in group enterprises

	31/12 2023	31/12 2022
Additions during the year	9	0
Carrying amount, 31 December 2023	9	0

8 Deposits

	31/12 2023	31/12 2022
Cost 1 January 2023	241,256	233,940
Additions during the year	22,482	7,316
Cost 31 December 2023	263,738	241,256
Carrying amount, 31 December 2023	263,738	241,256

9 Contributed capital

The share capital consists of 11,443,730 shares of a nominal value of DKK 0,10. No shares carry any special rights. The share capital has developed as follows:

	2023_DKK	2022_DKK	2021_DKK	2020_DKK	2019_DKK	2018_DKK	2017_DKK	2016_DKK
Share capital, 1 Jan.	1,113,867	970,665	866,884	866,884	866,884	571,430	50,000	50,000
Capital increase	30,506	143,202	103,781	0	0	295,454	521,430	0
Share capital, 31 Dec.	1,144,373	1,113,867	970,665	866,884	866,884	866,884	571,430	50,000

10 Other payables

	31/12 2023	31/12 2022
Total other payables	8,250,526	6,238,047
Share of amount due within 1 year	-1,250,526	-238,047
	7,000,000	6,000,000
Share of liabilities due after 5 years	0	0

10 Charges and security

For loans, DKK 7.673 thousand, the company has provided security in company assets representing a nominal value of DKK 16.792 thousand. This security comprises the assets below, stating the carrying amounts:

			DKK in thousands
Development projects in progress			15,103
Trade receivables			1,688

10 Contingencies

Contingent liabilities

			DKK in thousands
Total contingent liabilities			321

The annual report for Hypefactors A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

MATERIAL ERRORS IN PREVIOUS YEARS

Material errors have been identified in the annual report for 2022:

- Reserve for development costs was recognised with DKK 6.387 thousand, the correct amount was DKK 10.939 thousand.
- Retained earnings were recognised with DKK -8.896 thousand, the correct amount was DKK -13.448 thousand.

The error has been corrected in the annual report for 2023. The change in classification has no effect on the net profit or loss for the year, nor on the statement of financial position, neither for the current financial year, nor the previous financial year. The comparative figures have been adjusted in accordance with the reclassification.

CHANGES IN THE ACCOUNTING POLICIES

The item Staff costs has been reclassified so that certain types of expenses previously recognised under Staff costs will, in the future, be recognised under the item Other external expenses.

The classification of the item salary reimbursements has been changed so that received sickness benefit reimbursements and similar reimbursements that have previously been recognised under Staff costs are now recognised under the item Other operating income.

The changes in classification has no effect on the net profit or loss for the year, nor on the statement of financial position, neither for the current financial year, nor the previous financial year. The comparative figures have been adjusted in accordance with the reclassification.

Except for the above, the accounting policies for the financial statements remain unchanged from last year

RECOGNITION AND MEASUREMENT IN GENERAL

Revenue is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, write-downs for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

REVENUE

Revenue is recognised on a straight-line basis over the period in which the customer has access to the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

COST OF SALES

Cost of sales comprises costs concerning purchase of software, hosting, materials and consumables to achieve revenue for the year and changes in inventories.

OWN WORK CAPITALISED

Own work capitalised includes staff cost and other internal costs incurred during the financial year and recognised in the cost of proprietary intangible and tangible fixed assets.

OTHER OPERATING INCOME

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including grants from foundations and authorities, profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

OTHER EXTERNAL EXPENSES

Other external expenses comprise expenses incurred for sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

STAFF COSTS

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

DEPRECIATION, AMORTISATION, AND WRITE-DOWN FOR IMPAIRMENT

Depreciation, amortisation, and write-down for impairment comprise depreciation on, amortisation of, and write-down for impairment of intangible and tangible assets, respectively.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

RESULTS FROM INVESTMENTS IN GROUP ENTERPRISES

Dividend from investments in group enterprises is recognised in the financial year in which the dividend is declared.

If the dividend received exceeds the proportionate share of the year's result, this is considered an indication of impairment, which entails a requirement to prepare an impairment test.

TAX ON NET PROFIT OR LOSS FOR THE YEAR

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

INTANGIBLE ASSETS

DEVELOPMENT PROJECTS

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 years.

Costs for internal accrual rights are recognized in the income statement under costs.

INVESTMENTS

INVESTMENTS IN GROUP ENTERPRISES

Investments in group enterprises are recognised and measured at cost. If the recoverable amount is lower than the cost price, it shall be written down for impairment to this lower value.

DEPOSITS

Deposits are measured at amortised cost and represent lease deposits, etc

IMPAIRMENT LOSS RELATING TO NON-CURRENT ASSETS

The carrying amount of intangible fixed assets as well as equity investments in group enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. write-down for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist.

RECEIVABLES

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which

means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

PREPAYMENTS

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand.

EQUITY

RESERVE FOR DEVELOPMENT COSTS

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

INCOME TAX AND DEFERRED TAX

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

LIABILITIES OTHER THAN PROVISIONS

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Liabilities other than provisions relating to investment properties are measured at amortised cost. Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

DEFERRED INCOME

Payments received concerning future income are recognised under deferred income.



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Rafael Adrian Müllener Cifuentes
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