
AviationCloud Holding ApS

Møllekajen 7, DK-5000 Odense C

Annual Report for 2023

CVR No. 37 30 45 22

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/6 2024

Natalia Mikhailovna
Gorbacheva
Chairman of the
general meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	8
Balance sheet 31 December	9
Statement of changes in equity	11
Cash Flow Statement 1 January - 31 December	12
Notes to the Financial Statements	13

Management's statement

The Executive Board has today considered and adopted the Annual Report of AviationCloud Holding ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Odense C, 28 June 2024

Executive Board

Natalia Mikhailovna Gorbacheva
Manager

Natalie Nell Rorem
Manager

Independent Auditor's report

To the shareholder of AviationCloud Holding ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of AviationCloud Holding ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 Group 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.

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, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 judgement and maintain professional scepticism 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- 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

Trekantområdet, 28 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Junker Andersen

State Authorised Public Accountant

mne42818

Jørn Viggo Jørgensen

Certified Accountant

mne3043

Company information

The Company

AviationCloud Holding ApS
Møllekajen 7
5000 Odense C

CVR No: 37 30 45 22

Financial period: 1 January - 31 December

Incorporated: 16 December 2015

Financial year: 8th financial year

Municipality of reg. office: Frederiksberg

Executive Board

Natalia Mikhailovna Gorbacheva
Natalie Nell Rorem

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Financial Highlights

Seen over a 2-year period, the development of the Group is described by the following financial highlights:

	Group	
	2023	2022
	TDKK	TDKK
Key figures		
Profit/loss		
Gross profit	69,843	107,304
Profit/loss of primary operations	7,418	59,708
Profit/loss of financial income and expenses	-1,678	-1,527
Net profit/loss for the year	4,255	45,599
Balance sheet		
Balance sheet total	76,941	83,677
Investment in property, plant and equipment	1,820	3,696
Equity	60,109	55,853
Cash flows		
Cash flows from:		
- operating activities	-4,539	-52,391
- investing activities	-1,524	51,899
Change in cash and cash equivalents for the year	-6,063	-492
Number of employees	75	55
Ratios		
Return on assets	9.6%	71.4%
Solvency ratio	78.1%	66.7%
Return on equity	7.3%	107.8%

Management's review

Key activities

The purpose of the parent company is to own intangible assets and investments in subsidiaries.

The purpose of the Group is to make available flight related IT services to either own developed integrators or integrators to be re-sold from relevant providers.

Development in the year

The income statement of the Group for 2023 shows a profit of DKK 4,255,226, and at 31 December 2023 the balance sheet of the Group shows a positive equity of DKK 60,108,507.

The 2023 result meets the expectations.

Targets and expectations for the year ahead

Profit expectations for the coming years are positive and the expectations is a profit before financial income and expenses at the same level as 2023.

Research and development

Research is ongoing to develop and improve the products of the Group.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Gross profit	1	69,843,193	107,304,377	-232,278	-145,840
Staff expenses	2	-60,590,014	-45,817,067	0	0
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-1,835,360	-1,779,071	0	-477,204
Profit/loss before financial income and expenses		7,417,819	59,708,239	-232,278	-623,044
Income from investments in subsidiaries		0	0	4,453,778	45,828,771
Financial income	3	306,335	520	55,791	43,207
Financial expenses	4	-1,984,306	-1,527,523	-76,471	-75,385
Profit/loss before tax		5,739,848	58,181,236	4,200,820	45,173,549
Tax on profit/loss for the year	5	-1,484,622	-12,582,057	54,406	425,630
Net profit/loss for the year	6	4,255,226	45,599,179	4,255,226	45,599,179

Balance sheet 31 December

Assets

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Other fixtures and fittings, tools and equipment		1,328,194	1,202,180	0	0
Leasehold improvements		5,233,705	5,545,708	0	0
Property, plant and equipment	7	6,561,899	6,747,888	0	0
Investments in subsidiaries	8	0	0	59,227,945	54,774,167
Receivables from group enterprises	9	0	0	1,610,325	1,610,325
Other receivables	9	1,089,760	1,045,052	0	0
Fixed asset investments		1,089,760	1,045,052	60,838,270	56,384,492
Fixed assets		7,651,659	7,792,940	60,838,270	56,384,492
Receivables from group enterprises		64,678,892	65,576,119	487,457	746,694
Other receivables		2,152,016	1,857,997	1,471,748	1,476,006
Corporation tax		0	0	54,427	0
Prepayments		133,213	62,184	0	0
Receivables		66,964,121	67,496,300	2,013,632	2,222,700
Cash at bank and in hand		2,325,146	8,387,865	543,887	574,208
Current assets		69,289,267	75,884,165	2,557,519	2,796,908
Assets		76,940,926	83,677,105	63,395,789	59,181,400

Balance sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2023	2022	2023	2022
		DKK	DKK	DKK	DKK
Share capital		58,260	58,260	58,260	58,260
Reserve for net revaluation under the equity method		0	0	31,794,445	0
Retained earnings		60,050,247	55,795,021	28,255,802	55,795,021
Equity		60,108,507	55,853,281	60,108,507	55,853,281
Provision for deferred tax	10	150,982	96,377	0	0
Provisions		150,982	96,377	0	0
Trade payables		109,896	1,168,481	32,000	15,000
Payables to group enterprises		3,255,282	3,169,482	3,255,282	3,169,482
Corporation tax		1,430,018	13,069,173	0	143,638
Other payables		11,886,241	10,320,311	0	-1
Short-term debt		16,681,437	27,727,447	3,287,282	3,328,119
Debt		16,681,437	27,727,447	3,287,282	3,328,119
Liabilities and equity		76,940,926	83,677,105	63,395,789	59,181,400
Contingent assets, liabilities and other financial obligations	13				
Related parties	14				
Subsequent events	15				
Accounting Policies	16				

Statement of changes in equity

Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	58,260	55,795,021	55,853,281
Net profit/loss for the year	0	4,255,226	4,255,226
Equity at 31 December	58,260	60,050,247	60,108,507

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	58,260	0	28,454,354	28,512,614
Net effect from change of accounting policy	0	27,340,667	0	27,340,667
Adjusted equity at 1 January	58,260	27,340,667	28,454,354	55,853,281
Net profit/loss for the year	0	4,453,778	-198,552	4,255,226
Equity at 31 December	58,260	31,794,445	28,255,802	60,108,507

Cash flow statement 1 January - 31 December

	Note	Group	
		2023	2022
		DKK	DKK
Result of the year		4,255,226	45,599,179
Adjustments	11	7,029,375	-38,870,157
Change in working capital	12	-1,076,677	-58,481,549
Cash flow from operations before financial items		10,207,924	-51,752,527
Financial income		306,335	520
Financial expenses		-1,984,306	-436,798
Cash flows from ordinary activities		8,529,953	-52,188,805
Corporation tax paid		-13,069,172	-201,725
Cash flows from operating activities		-4,539,219	-52,390,530
Purchase of property, plant and equipment		-1,478,792	-4,861,043
Fixed asset investments made etc		-44,708	0
Sale of intangible assets		0	56,474,820
Sale of fixed asset investments made etc		0	285,565
Cash flows from investing activities		-1,523,500	51,899,342
Cash flows from financing activities		0	0
Change in cash and cash equivalents		-6,062,719	-491,188
Cash and cash equivalents at 1 January		8,387,865	8,879,053
Cash and cash equivalents at 31 December		2,325,146	8,387,865
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		2,325,146	8,387,865
Cash and cash equivalents at 31 December		2,325,146	8,387,865

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
1. Special items				
Gain on sale of fixed assets	0	54,758,288	0	0
	0	54,758,288	0	0

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
2. Staff Expenses				
Wages and salaries	57,114,246	42,680,027	0	0
Other social security expenses	94,514	346,295	0	0
Other staff expenses	3,381,254	2,790,745	0	0
	60,590,014	45,817,067	0	0

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	75	55	0	0
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	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
3. Financial income				
Interest received from group enterprises	0	0	42,687	42,687
Other financial income	306,335	520	13,104	520
	306,335	520	55,791	43,207

Notes to the Financial Statements

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
4. Financial expenses				
Interest paid to group enterprises	70,800	70,800	70,800	70,800
Other financial expenses	531,561	79,332	5,660	4,585
Exchange loss	1,381,945	1,377,391	11	0
	1,984,306	1,527,523	76,471	75,385

	Group		Parent company	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
5. Income tax expense				
Current tax for the year	1,430,017	13,084,049	-54,406	143,638
Deferred tax for the year	54,605	-220,532	0	-287,808
Adjustment of tax concerning previous years	0	-281,460	0	-281,460
	1,484,622	12,582,057	-54,406	-425,630

	Parent company	
	2023	2022
	DKK	DKK
6. Profit allocation		
Reserve for net revaluation under the equity method	4,453,778	0
Retained earnings	-198,552	45,599,179
	4,255,226	45,599,179

Notes to the Financial Statements

7. Property, plant and equipment Group

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 January	2,640,174	6,279,241
Additions for the year	1,129,880	690,070
Cost at 31 December	<u>3,770,054</u>	<u>6,969,311</u>
Impairment losses and depreciation at 1 January	1,437,994	899,306
Depreciation for the year	1,003,866	836,300
Impairment losses and depreciation at 31 December	<u>2,441,860</u>	<u>1,735,606</u>
Carrying amount at 31 December	<u>1,328,194</u>	<u>5,233,705</u>

Parent company

8. Investments in subsidiaries

	2023	2022
	DKK	DKK
Cost at 1 January	27,433,500	27,433,500
Cost at 31 December	<u>27,433,500</u>	<u>27,433,500</u>
Value adjustments at 1 January	27,340,667	-18,488,104
Net profit/loss for the year	4,453,778	45,828,771
Value adjustments at 31 December	<u>31,794,445</u>	<u>27,340,667</u>
Carrying amount at 31 December	<u>59,227,945</u>	<u>54,774,167</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
AviationCloud A/S	Odense	500.000	100%

Notes to the Financial Statements

9. Other fixed asset investments

	<u>Group</u>	<u>Parent company</u>
	Other receivables	Receivables from group enterprises
	DKK	DKK
Cost at 1 January	1,045,052	1,610,325
Additions for the year	44,708	0
Cost at 31 December	<u>1,089,760</u>	<u>1,610,325</u>
Carrying amount at 31 December	<u>1,089,760</u>	<u>1,610,325</u>

10. Provision for deferred tax

	<u>Group</u>		<u>Parent company</u>	
	2023	2022	2023	2022
	DKK	DKK	DKK	DKK
Deferred tax liabilities at 1 January	96,377	316,909	0	287,808
Amounts recognised in the income statement for the year	54,605	-220,532	0	-287,808
Deferred tax liabilities at 31 December	<u>150,982</u>	<u>96,377</u>	<u>0</u>	<u>0</u>

11. Cash flow statement - Adjustments

	<u>Group</u>	
	2023	2022
	DKK	DKK
Financial income	-306,335	-520
Financial expenses	1,984,306	1,527,523
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,835,360	-52,979,217
Tax on profit/loss for the year	1,484,622	12,582,057
Other adjustments	2,031,422	0
	<u>7,029,375</u>	<u>-38,870,157</u>

Notes to the Financial Statements

	Group	
	2023	2022
	DKK	DKK
12. Cash flow statement - Change in working capital		
Change in receivables	-483,532	-56,256,856
Change in trade payables, etc	-593,145	-2,224,693
	<u>-1,076,677</u>	<u>-58,481,549</u>

13. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

The Group has signed a lease where the rent amounts to TDKK 8,170 in the non-cancellable period.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

14. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	Ultimate parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
ForeFlight LLC	Houston, Texas, United States
The Boeing Company	Arlington County, Virginia, United States

Notes to the Financial Statements

15. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

16. Accounting policies

The Annual Report of AviationCloud Holding ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in DKK.

Changes in accounting policies

The parent company has changed accounting policies for measuring investments in subsidiaries from cost to the equity method. The change has resulted in an increase of the year's resultat for the current year with DKK 4.453.778 (2022: DKK 45.828.771). It has also affected the company's fixed assets and total balance sheet with an increase of DKK 31.794.445 (2022: 27.340.667). Equity is affected by an increase of DKK 31.794.445 (2022: DKK 27.340.667). The company's cash flow is not affected by the change.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, AviationCloud Holding ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. If currency positions are considered to hedge future cash flows, value adjustments are recognized directly in equity.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve the consolidated revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation and impairment of intangible assets.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with danish group entities. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	2-10 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Notes to the Financial Statements

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of other receivables.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Notes to the Financial Statements

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$