Configit Holding A/S

Midtermolen 3, DK-2100 København Ø

Annual Report for 1 January - 31 December 2022

CVR No 37 35 88 27

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 23/6 2023

Søren Elmann Ingerslev
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Configit Holding A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2022.

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.

Copenhagen, 8 June 2023

Executive Board

Johan Carl Wilhelm Salenstedt

Board of Directors

Allan Jensen Vestergaard Chairman	Allan Bach Pedersen	Torben Brandt Munch
Michael Moesgaard Andersen		

Independent Auditor's Report

To the Shareholders of Configit Holding A/S

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 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Configit Holding A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Financials 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

Independent Auditor's Report

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 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 Company or to cease operations, or has no realistic alternative but to do so.

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 Company's and the Group'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 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 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.

Hellerup, 8 June 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen	Jakob Thisted Binder
statsautoriseret revisor	statsautoriseret revisor
mne18628	mne42816

Company Information

The Company	Configit Holding A/S Midtermolen 3 DK-2100 København Ø CVR No: 37 35 88 27 Financial period: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Allan Jensen Vestergaard, Chairman Allan Bach Pedersen Torben Brandt Munch Michael Moesgaard Andersen
Executive Board	Johan Carl Wilhelm Salenstedt
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	66,115	87,467	75,672	103,728	105,717
Profit/loss before financial income and expenses	-70,966	-61,080	-64,530	-63,319	-57,817
Net financials	-8,536	-7,763	-10,683	-7,216	-1,976
Net profit/loss for the year	-75,038	-64,482	-68,873	-59,108	-54,784
Balance sheet					
Balance sheet total	378,424	440,809	426,207	473,866	480,824
Investments in property, plant and equipment	3,651	577	695	1,605	3,937
Investments in intangible assets	23,623	20,530	21,333	22,116	20,963
Invested capital	330,012	340,286	357,850	413,977	428,135
Equity	172,249	251,616	283,790	355,667	327,084
Ratios					
Return on assets	-18.8%	-13.9%	-15.1%	-13.4%	-12.0%
Solvency ratio	45.5%	57.1%	66.6%	75.1%	68.0%
Return on equity	-35.4%	-24.1%	-21.5%	-17.3%	-16.2%

A correction to equity has been made in 2020.

Management's Review

The Group:

2022 was a strong year for Configit where we continued to grow the annual recurring revenue, extended our CLM leadership, and launched our Cloud-enabled offering of Ace.

We continued to execute "Strategy 2023" and grew our market- and mindshare. The Configuration Lifecycle Management (CLM) trend continued to expand and is fast becoming widely accepted by the market, partners and analysts.

While 2022 was strong, the growth of revenue and ARR in 2022 was impacted to a certain extent by the uncertain situation caused by the outbreak of the war in Ukraine. Both our existing customers as well as potential new customers re-evaluated or delayed some of the engagements.

However, after the summer we experienced that our pipeline grew and the market adapted to the new market conditions, and during the late fall of 2022 a high number of pilots and proof of concepts were discussed and initiated which we expect to be realized into revenue in 2023.

It's clear that the need for Digital Transformation initiatives continues to be high and that many of these initiatives so far has not been successful. Its also clear that while many companies have invested in CRM and CPQ tool, they alone have failed to meet the goals of the investment.

The need for an end-to-end configuration solution where there is one version of truth is growing strong and Configit plays a pivotal role of making that vision becoming a reality.

Ace, our open CLM platform, continues to be our biggest selling product and now make up almost 90% +40% of our total recurring revenues. That trend will continue as we see many of our existing customers planning to move from existing technology to Ace and utilize all the possibilities of the Ace platform.

The strategic decision to move to subscription sales has been implemented and in 2022 92% of all new sales were from subscription deals.

In 2022, our Partners focus continued. We saw an increased interest from the Global System Integrators as CLM grew to become a increasingly important pillar of the digital future. During fall of 2022 we deepened our relationship with one of our main partners and expanded the reach from the EMEA region to also include a US focus.

This partner is well positioned to lead Digital Transformation projects where we Configit technology plays an important part. This strategic partnership will benefit our customers from a geographical and knowledge standpoint. They have thorough knowledge and experience which have been proven at customers such as ABB, TkE and AGCO.

In May of 2022, we held our annual event the CLM Summit. It's an event where Configit, our partners, customers, and analysts gather for three days to discuss trends, customer cases, and the technology of CLM. During those three days, we gathered more than 500 people which furthers cement Configit as the

Management's Review

thought leaders and leading company within CLM. It's nowadays considered to be the go-to event for CLM expertise and position Configit as the clear thought leaders within CLM.

Revenues for 2022 were up compared to 2020 despite the growing part of subscription revenue. The transformation of moving from perpetual licensing to subscription, is with 2022 close to be complete which will be reflected in the growth of the revenue number of late 2023 and beyond.

A further sign of the important role that Configit plays within our customer's digital transformation can be seen in a very low churn and high net revenue retention rate (NRR). During 2022 we had 100% of brand retention and 126% of NRR which is strong evidence of the loyalty and strong relationships we build with our customers.

Overall, the Annual Recurring Revenue (ARR) grew +20% which gives Configit a strong foundation for future success. Furthermore, our average transaction deal size continued to be high and the length of the subscription contract as well.

We continue to have a strong focus on Pipeline Management to optimize our ability to predict and match market demands and meet our growth expectations.

The pipeline growth in H2 of 2023, was particularly strong in both the EMEA and the US market. Through investments in market and sales our ability to engage better and broader, we have the possibility for better reach and effectiveness making sure that we can be a better partner for our customers. This allows for a better balance between nurturing leads, serving customer needs, and accelerating sales.

At the end of 2022 we released our SaaS enabled Cloud offering of Ace. This is a critical milestone for Configit and the interest from both existing customers and new potential clients have been huge as of this date.

It allows for quicker deployment, more effective adaptation of technology and is for some customers a pre-requisite before entering into a long-term vendor relationship.

By offering a SaaS solution, Configit will grow an even closer relationship with our customers and partners and allow us to move into new areas and new type of customers.

All combined, we look forward to 2023 and to growing our relationship with our partners, our existing customers, and new ones to come.

Management's Review

Key activities

The Group and parent company:

The main activities of the Configit Group continue to be the development and sale of business software for configuration of products and services.

During 2022 the Group has continued its research and development efforts in software that enables the implementation of true CLM solutions where the core of the software comprises the Virtual Tabulation® Technology patented by Configit. 2022 saw the release on the Ace Platform as a service (SaaS), which further will strengthen the Configit market position.

Configuration Lifecycle Management continues to be the center of all marketing and sales activities in Configit and is expected to experience significant growth over the coming years. CPQ, with its mature market, is still an important element in many CLM solutions, including being a lead generator for Configit, but CPQ only fulfills part of the needs of the customers. Configit's full CLM solution covers not only the sales side (CPQ), but also the engineering, the production, as well as the services side. This "full-circle" CLM offering is unique to Configit.

Management's Review

Development in the year

The Group:

The loss before tax for 2022 shows a result of DKK -75,037,579 / EUR -10,072,158 and an EBITDA of DKK-31,082,541 / EUR -4,172,153 The Group balance sheet as of 31 December 2022 shows an equity of DKK 172,249,274 / EUR 23,120,708 and an aggregate balance sum of DKK 378,423,543 / EUR 50,795,106. (The exchange rate used for DKK versus EUR is based on the official exchange rate from the Danish National Bank as published on 31st of December 2022.)

Management considers the financial result to be lower than what was originally expected at the start of the year not only due to the business impact that the higher energy cost had on prospect and customers of the Group, but also the effects on the global economy of the war in Ukraine. Configit generally had higher external cost than originally expected for external consultants and advisors partly due to a higher demand for specialized skills while recruiting the skills to the internal resource base and partly to complete and in some cases fast track projects of importance.

Configit Holding A/S has made a capital increase through a capital injection of 25 mDKK in June 2023 to ensure the continued business of the Group.

Parent company:

The parent company's loss before tax for 2022 shows a result of DKK -75,037,579 / EUR -10,072,158 and an EBITDA of DKK-1,164,855 / EUR -156,356. The Group balance sheet as of 31 December 2022 shows an equity of DKK 172,249,274 / EUR 23,1201,708 and an aggregate balance sum of DKK 306,781,524 / EUR 41,178,728. (The exchange rate used for DKK versus EUR is based on the official exchange rate from the Danish National Bank as published on 31st of December 2022.)

Management's Review

Outlook

The Group:

Management expects the investments and initiatives already executed to result in a positive trend in revenue and activity growth as Configit complete the transitions to a subscription-based license model.

The Group also expects the CLM market to expand and grow, both in terms of market recognition and sales opportunities. The Configit Group will continue to prioritize maintaining its leadership within the CLM space and further advance Configit's position as the preferred supplier of demanding and complex configuration solutions to the world's most demanding configuration challenges.

Configit Group will continue its investments in the North American and European markets.
Configit continues to balance costs with the current revenue levels and the performance outlook and expect a positive EBITDA result for 2023. The annual result is expected to remain negative due to financial cost, but significantly improved compared to 2022. The result in 2023 is expected to be negative 65 mDKK to 70 mDKK.

Parent company:

Management expects a positive trend in the activity growth in 2022, both in the parent company as well as in its international subsidiaries.

Management's Review

Operating risks

The Group and parent company:

The growth of Configit's business is based on a number of success criteria. Management believes the Group performs well in respect to these criteria. However, certain factors can impact the success of the Group and therefore represent a potential risk. Configit's management and board of directors consider the following general risk factors to be the most important:

Potential Effects of the War in Ukraine

The customers of Configit operate within the complex manufacturing space and in many different regions and countries across the globe. Therefore, there is a potential risk to our business in the situation where the war in Ukraine continues. The risk consists mainly of two different scenarios:

1) A slowdown in demand whereby the revenue for our customers decrease.
2) Continued challenges with high energy prices in Europe.

The solution that Configit delivers is mission critical and will normally be prioritized, even during challenging periods, which has been proved during the last year. While the war does have an effect on the business for Configit, it is hard to estimate the details of such an impact.

Market risks

1) The risk that the market for CLM and CPQ software is impacted by general market conditions limiting the opportunities for growth for the Group.

2) The risk of competitors anticipating trends in the markets earlier than Configit and affecting a more structured expansion of their international distribution networks.

Through detailed market research and cooperation with analysts, Configit aims to be on the forefront of the development in the market in which Configit operates.

Corporate culture and know-how

1) The risk of failure to continue to attract, retain, and develop the best employees and failure to identify and incentivize the best management talent.

2) The risk of failure, in connection with acquisitions and expansion of new business areas, to integrate new employees into the organization and to maintain, protect, and continue Configit's strong corporate values as a fundamental element of business development.

Configit works to constantly be an attractive place to work with a clear value set and strategic direction.

Management's Review

Products

1) The risk that competitors' product innovation is better able to meet market requirements.

2) The risk of inadequate quality control and testing of the Group's products prior to the release of new software versions.

Through a clear product direction that is aligned with the market through customer forums and input from market analysts, Configit maintains a roadmap which is attractive to existing and potential customers alike.

Contract risks

The risk that the Group's customer contracts or other agreements impose abnormal obligations on Configit. This is the risk of failure to draft customer contracts and other agreements in a balanced way, taking into account local business practices, customers' legitimate requirements, as well as protection of the Group's material business interests.

IT environment

The risk of breakdown or temporary interruption of IT systems not adequately backed up by technical infrastructure that restores critical business IT services immediately.

Financial risk

The risk comprises currency risk, liquidity risk, and credit risk. The Group manages financial risk by ensuring sufficient procedures and controls are in place to ensure that potential losses from these risks are exposed as early as possible.

Management continuously monitors the development of the identified risk factors and reports on these to the Board of Directors. This enables the Board's ability to support management with their tasks and make the required decisions to handle the identified risks.

Management's Review

Research and development

The Group:

The Group has capitalized DKK 55,433,818 relating to the Group's research and development activities within the Company's normal product range. This corresponds to c. 78.9% of the Groups' gross profit. These activities are depreciated from time of completion in a period corresponding to the expected time in which the activities will contribute positively to the Group's growth and earnings.
As the Group continues to invest in improvements of the Group's product portfolio, the depreciation period is estimated to be 5 years in average.

The value of the capitalized research and development activities is evaluated continuously. It is the Management's view that the value that is stated in the Annual report for 2022 is fair.

The Group expects these activities to contribute to the Group's continued growth and earnings.

Intellectual capital resources

The Group and parent company:

The most significant knowledge resources are primarily the employees of the Group. The employees are generally highly educated specialists within software development, project management, and IT implementation, specifically focusing on configuration. The employees continue to contribute significantly to the Groups results in the coming years.

Management's Review

Statement of corporate social responsibility

Our Business

Our software enables our customers to focus on efficiency gains throughout their production processes, which means improved efficient productions with less resources. In modern manufacturing an increasing number of products becoming configurable – meaning a single product has multiple options for each variation— is a fast-growing trend. Today everything from cars to elevators to lighting systems have customized options.

Configit CLM technology can enable our customers with the concept of "green configuration," in which a configurator can be used to show the customer the environmental consequences of their configuration choices – and help them meet their own sustainability goals. This concept is nascent but catching on quickly. Demand for green configuration is rising across sectors, and within a few years, this approach will be a necessity.

During the last year we have increased our focus on raising awareness of green configuration via blogs, Tech talks and whitepaper about "Configit Sustainability Transformation in Manufacturing".

We aim at creating transparency around the environmental gains inherent in our product and how these may enable and facilitate businesses on their green transformation journey. Serving as an enabler of efficiency gains, facilitating sustainable, responsible production is inherent to our business.

Configit works closely with a large variety of partners who sell and implement our software on our behalf. Configit is headquartered in Denmark, with subsidiaries in the United Kingdom, Germany, and the US.

At Configit, we also take responsibility for the way we operate our own business through focus on:

Our Responsibility

As the leader in Configuration Lifecycle Management, Configit is committed to providing global manufacturers transformative, business-critical solutions for the configuration of complex products in a sustainable, responsible way.

Our commitment is based on a fundamental respect for internationally recognized principles for sustainable development; human rights (including labour rights), the environment (including climate change), and economic sustainability (including anti-corruption).

We believe that Configit is among the first companies in our industry, that implements has responsibilities the internationally agreed standard for responsible business conduct: The UN Guiding Principles for Business and Human Rights (UNGPs), covering social sustainability, and the OECD Guidelines for Multinational Enterprises (OECD), covering environmental and economic sustainability.

As part of our sustainability due diligence, we conduct annual operational-level impact assessments to identify our risks against the key elements of social, environmental, end economic sustainability, to outline our actions to prevent or mitigate identified risks, and to develop indicators to track the effectiveness of our actions.

Our responsibility for sustainable development is embedded in our "Commitment" that fulfils the requirements from UNGPs/OECD and the expectations of the Annual Accounts Act for a policy on human rights, that, per definition, covers labour rights and 'social issues', a policy for the environment, also covering climate change, and a policy for economic sustainability, including anti-corruption. Similarly, our Commitment and sustainability due diligence processes cover "data ethics" defined as risks of adverse impacts on basic rights stemming from handling and processing data.

In addition to Configit implementing the international standard for responsible business conduct, we expect the same from our business relationships. As we, per definition, are responsible for the adverse impacts of our business relationships, the most effective way to seek to prevent or mitigate such impacts, will be that our business relationships also meet the standard. And that they raise a similar demand to their business relationships.

For this purpose, we have adopted and published our Code of Conduct for Business Relationships.

Social Sustainability - Respect for Human Rights

Configit's Corporate Commitment to sustainability is aligned with the UNGPs. As part of our efforts to demonstrate human rights due diligence, we carried out an update of our human rights impact assessment covering our Headquarter in Copenhagen and our Danish activities.

In our impact assessment we identified 21 risks of impacts on 14 of the 48 human rights in the International Bill of Human Rights. Not surprisingly our risks of severe impact were identified in relation to three human rights: right to privacy, intellectual property rights, and freedom of information.

We continuously work to prevent or mitigate our impacts in these essential areas. In addition, we are preventing or mitigating our risks in the other identified areas to
ensure that such risks do not evolve into severe impacts.

We welcome persons, that may be at risk of experiencing impacts, or business relationships, that would have an interest in looking into our actions and how we measure effectiveness of our actions, to contact us.

In addition, we found that our products hold the capacity to contribute considerably to the human right: 'freedom of information'.

Social and Staff Matters

Configit's employees are the backbone of the company, and their well-being, health, and safety in the workplace are crucial to our success as a business. All these areas are covered by our human rights impact assessments and thus covered by our Commitment and due diligence process.

Management's Review

Dignity and respect are core concepts in Configit. All employees receive our Global Staff Manual. It includes all our policies, which are reviewed annually. The Staff Manual also includes our values and is available on our intranet.

All new employees are introduced to our Commitment, and to the Global Staff Manual during onboarding training. Furthermore, Configit carries out an engagement survey annually for all employees as to maintain and further develop a healthy working environment.

These initiatives lay the foundation for a work environment where our employees feel motivated, acknowledged, and productive. We support, that our staff is active and social outside of working hours. We normally host three formal staff events every year, and regular informal social gatherings occur as well. The character of these were both challenged and changed during the Pandemic. On the backdrop of the Pandemic, we have moved back to normal, however, carrying forward some of the better practices that were applied during the Pandemic.

At the end of the financial period Configit had 79 employees in Denmark, which is an increase of 5 during the year. Additionally, Configit had 52 employees in the rest of the world, which is a decrease of 7persons during the year.

During 2022, Configit completed the implementation of a whistle-blower procedure that ensures all customers, employees, managers, and Board members have an alternative reporting mechanism. The policy and procedure will provide employees with a knowledge of how to act, if they become aware of or have suspicion of fraud, bribery, or other factors that are against the law or Configit' internal rules.

Statutory Report on the Gender Composition of Management

We are committed to respect human rights. This implies that we shall ensure equal opportunities for promotion to our employees at all levels of our business. We are aware that women are underrepresented on the Board of Directors and in the Executive Management Team. As of 31 December 2021, we have 0 women and 5 men on the Board of Directors. Our owners' focus on women in management, and Configit has the target to have at least one representative of the underrepresented gender on the Board of Directors before the end of 2023.

Our focus has enabled that the representation of women in the top management has grown since 2019. Thus, Configit currently has two women and five men in the Executive Management Team. To mitigate underrepresentation, we strive to find suitable female candidates when recruiting for open positions at Configit. While qualification is the highest priority, we ensure that candidates of all genders are equally considered during the hiring process through dialogue between management, HR, and the hiring manager. At the end of 2022, 27% of the total staff were women and increase of 3% since 2021.

Environmental Sustainability – including the Climate

Configit's commitment to responsible business conduct encompasses due diligence for environmental impacts, including impacts on the climate. Our commitment to implement the OECD Guidelines means that we continuously identify, where we are at risk of impacting the environment.

Management's Review

We found that we are not at risk of causing or contributing to significant impacts, but, as all businesses should, we have a focus on reducing CO2 emissions. We are also proud that our products hold the potential to contribute to reducing CO2 emissions for our customers e.g., by enabling more efficient communication between sales and production and by eliminating manufacturing errors resulting from faulty configurations.

Economic Sustainability – including Anti-corruption

Responsible business conduct entails that Configit also commits to due diligence in relation to economic sustainability, hereunder anti-corruption. We implement the OECD Guidelines in all areas of our business. In our first impact assessments covering our activities in Denmark, we identified few risks related to economic sustainability, hereunder corruption and bribery.

Like other businesses, we prevent or mitigate risks in relation to e.g., cronyism and nepotism, as well as risks associated with disproportionately large gifts. During 2020 we implemented appropriate procedures in this area, and we have not met any challenges in this area during our annual impacts assessments.

Key Performance Indicators

Results of Key Performance Indicators for 2022:

1. Publish Commitment on webpage. – Achieved
2. Establish a GHG emissions protocol for Configit. – Achieved
3. Carry through annual re-assessments in Denmark as part of our due diligence – Achieved
4. Conduct impact assessments for one new location as part of our due diligence – Postponed to 2023

Key Performance Indicators for 2023:

1. Establish reduction targets for GHG emissions.
2. Establish Key Performance Indicator (KPI) for "Freedom of Information".
3. Carry through annual re-assessments in Denmark as part of our due diligence.
4. Conduct impact assessments for one new location as part of our due diligence.

Management's Review

Company information

The primary owners are Polaris Private Equity who have the majority vote and who are represented in the Board of Directors.

The Board of Directors have held 5 ordinary board meetings during the financial year. These have been held both virtually through video conference and in person. Furthermore, a number of meetings have been held during the year covering specific topics including various oversight of projects and management tasks.

The Group Management makes monthly financial reports and follows up on recorded differences to the forecast and budget on a regular basis. Periodic cashflow forecasts are made based on current expectations for receipts and payments in order to manage and follow up on liquidity. This work is reviewed by the Board of Directors.

The Board has not established any separate formal committees (for example remuneration committee or audit committee) due to the size of the company. The Board regularly assesses whether such committee are required in order to ensure adequate focus on e.g. risk management.

Ownership

Configit Holding A/S is owned approx. 57% by Polaris Private Equity. The following companies own more than 5% of the share capital:
• Andersen Advisory Group A/S, CVR-no. 15 27 37 71
• Damgaard Company A/S, CVR- no. 25 53 83 15
• HRA ApS, CVR- no. 33 39 05 64

Polaris Private Equity is a member of Active Owners Denmark (formerly called the Danish Venture Capital and Private Equity Association (DVCA)) and therefore Configit adheres to the guidelines and recommendations published by Active Owners Denmark and comments if any recommendations are not followed. For further information please refer to www.aktiveejere.dk.

Subsequent events

In June 2023 a capital increase of DKK 25 million was approved.

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

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent 2022	Parent 2021
		DKK	DKK	DKK	DKK
Gross profit/loss		**66,114,913**	**87,466,514**	**6,836,587**	**6,212,944**
Staff expenses	2	-97,197,454	-108,457,138	-8,001,442	-9,509,496
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-39,883,398	-40,089,546	0	0
Profit/loss before financial income and expenses		**-70,965,939**	**-61,080,170**	**-1,164,855**	**-3,296,552**
Income from investments in subsidiaries		0	0	-65,082,706	-59,215,601
Financial income	3	4,158,931	3,239,026	3,090,104	6,458,849
Financial expenses	4	-12,694,800	-11,002,320	-11,880,134	-8,428,718
Profit/loss before tax		**-79,501,808**	**-68,843,464**	**-75,037,591**	**-64,482,022**
Tax on profit/loss for the year	5	4,464,229	4,361,442	12	0
Net profit/loss for the year		**-75,037,579**	**-64,482,022**	**-75,037,579**	**-64,482,022**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Completed development projects		55,433,818	49,998,975	0	0
Acquired patents		0	248,303	0	0
Goodwill		269,195,498	289,770,950	0	0
Intangible assets	6	**324,629,316**	**340,018,228**	**0**	**0**
Other fixtures and fittings, tools and equipment		2,414,132	812,042	0	0
Leasehold improvements		1,122,063	621,186	0	0
Property, plant and equipment	7	**3,536,195**	**1,433,228**	**0**	**0**
Investments in subsidiaries	8	0	0	259,158,623	328,255,825
Other receivables	9	1,846,315	2,810,902	0	0
Fixed asset investments		**1,846,315**	**2,810,902**	**259,158,623**	**328,255,825**
Fixed assets		**330,011,826**	**344,262,358**	**259,158,623**	**328,255,825**
Trade receivables		27,812,763	29,948,264	0	0
Receivables from group enterprises		0	0	46,764,236	53,349,010
Other receivables		6,338	134,809	0	3,173
Deferred tax asset	13	5,636,348	4,516,817	0	0
Corporation tax		0	5,994	0	5,994
Prepayments	10	2,164,448	1,319,407	146,461	0
Receivables		**35,619,897**	**35,925,291**	**46,910,697**	**53,358,177**
Cash at bank and in hand		**12,791,820**	**60,621,449**	**712,204**	**1,466,768**
Currents assets		**48,411,717**	**96,546,740**	**47,622,901**	**54,824,945**
Assets		**378,423,543**	**440,809,098**	**306,781,524**	**383,080,770**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent	
	Note	2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Share capital	11	5,782,155	5,782,155	5,782,155	5,782,155
Retained earnings		166,467,119	245,834,275	166,467,119	245,834,275
Equity		**172,249,274**	**251,616,430**	**172,249,274**	**251,616,430**
Credit institutions		95,970,818	36,351,254	95,970,818	36,351,254
Other payables		42,290,221	39,266,398	35,926,719	33,055,613
Long-term debt	14	**138,261,039**	**75,617,652**	**131,897,537**	**69,406,867**
Credit institutions	14	12,350,863	52,843,035	1,522	52,843,035
Trade payables		6,972,155	12,959,097	780,800	1,037,440
Payables to group enterprises		0	1,972	0	873,971
Other payables	14	29,767,805	33,702,825	1,852,391	7,303,027
Deferred income	15	18,822,407	14,068,087	0	0
Short-term debt		**67,913,230**	**113,575,016**	**2,634,713**	**62,057,473**
Debt		**206,174,269**	**189,192,668**	**134,532,250**	**131,464,340**
Liabilities and equity		**378,423,543**	**440,809,098**	**306,781,524**	**383,080,770**

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
2022			
Equity at 1 January	5,782,155	245,834,275	251,616,430
Exchange adjustments relating to foreign entities	0	-4,329,577	-4,329,577
Net profit/loss for the year	0	-75,037,579	-75,037,579
Equity at 31 December	**5,782,155**	**166,467,119**	**172,249,274**

Group

	Share capital	Retained earnings	Total
2021			
Equity 1. januar	5,417,318	278,373,096	283,790,414
Cash capital increase on 24 June	361,980	36,483,700	36,845,680
Cash capital increase on 9 December	2,857	164,342	167,199
Exchange adjustments relating to foreign entities	0	-4,704,841	-4,704,841
Net profit/loss for the year	0	-64,482,022	-64,482,022
Equity at 31 December	**5,782,155**	**245,834,275**	**251,616,430**

Statement of Changes in Equity

Parent

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
2022			
Equity at 1 January	5,782,155	245,834,275	251,616,430
Exchange adjustments relating to foreign entities	0	-4,329,577	-4,329,577
Net profit/loss for the year	0	-75,037,579	-75,037,579
Equity at 31 December	**5,782,155**	**166,467,119**	**172,249,274**

Parent

	Share capital	Retained earnings	Total
2021			
Equity 1. januar	5,417,318	278,373,096	283,790,414
Cash capital increase on 24 June	361,980	36,483,700	36,845,680
Cash capital increase on 9 December	2,857	164,342	167,199
Exchange adjustments relating to foreign entities	0	-4,704,841	-4,704,841
Net profit/loss for the year	0	-64,482,022	-64,482,022
Equity at 31 December	**5,782,155**	**245,834,275**	**251,616,430**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent 2022	Parent 2021
		DKK	DKK	DKK	DKK
Net profit/loss for the year		-75,037,579	-64,482,022	-75,037,579	-64,482,022
Adjustments	16	34,547,266	38,786,557	69,543,147	56,480,629
Change in working capital	17	4,362,065	21,739,673	3,605,314	887,844
Cash flows from operating activities before financial income and expenses		**-36,128,248**	**-3,955,792**	**-1,889,118**	**-7,113,549**
Financial income		4,158,932	-333,199	3,090,105	6,458,849
Financial expenses		-12,694,797	-11,002,316	-11,880,133	-8,428,717
Cash flows from ordinary activities		**-44,664,113**	**-15,291,307**	**-10,679,146**	**-9,083,417**
Corporation tax received		3,350,692	5,044,631	6,006	6
Cash flows from operating activities		**-41,313,421**	**-10,246,676**	**-10,673,140**	**-9,083,411**
Purchase of intangible assets		-23,622,798	-20,530,988	0	0
Purchase of property, plant and equipment		-2,974,657	-378,758	0	0
Fixed asset investments made etc		964,586	10,028	4,014,496	-65,727,169
Cash flows from investing activities		**-25,632,869**	**-20,899,718**	**4,014,496**	**-65,727,169**
Repayment of loans from credit institutions		6,778,902	38,763,733	6,778,051	39,382,483
Repayment of payables to group enterprises		12,337,759	1,973	-873,971	87,288
Cash capital increase		0	36,845,680	0	36,845,680
Cash capital reduction		0	167,199	0	167,199
Cash flows from financing activities		**19,116,661**	**75,778,585**	**5,904,080**	**76,482,650**
Change in cash and cash equivalents		**-47,829,629**	**44,632,191**	**-754,564**	**1,672,070**
Cash and cash equivalents at 1 January		60,621,449	12,417,032	1,466,768	-205,302
Exchange adjustment of current asset investments		0	3,572,226	0	0

Cash Flow Statement 1 January - 31 December

	Note	2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Cash and cash equivalents at 31 December		**12,791,820**	**60,621,449**	**712,204**	**1,466,768**
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		12,791,820	60,621,449	712,204	1,466,768
Cash and cash equivalents at 31 December		**12,791,820**	**60,621,449**	**712,204**	**1,466,768**

Notes to the Financial Statements

1 Going concern

In June 2023 a capital increase of DKK 25 million was approved. The capital increase was completed by cash injection.

The capital increase supports that there is no uncertainty in order for the Company to continue as going concern.

	Group		Parent	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
2 Staff expenses				
Wages and salaries	110,699,842	120,610,840	7,953,473	9,459,612
Pensions	848,251	810,169	0	0
Other social security expenses	4,158,830	4,162,680	27,951	31,356
Other staff expenses	5,113,323	3,404,437	20,018	18,528
	120,820,246	**128,988,126**	**8,001,442**	**9,509,496**
Transfer to production wages	-23,622,792	-20,530,988	0	0
	97,197,454	**108,457,138**	**8,001,442**	**9,509,496**
Average number of employees	**126**	**137**	**4**	**4**

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

3 Financial income

	Group 2022	Group 2021	Parent 2022	Parent 2021
Interest received from group enterprises	0	0	3,086,753	5,927,568
Other financial income	21,400	2,326,586	3,351	0
Exchange gains	4,137,531	912,440	0	531,281
	4,158,931	**3,239,026**	**3,090,104**	**6,458,849**

Notes to the Financial Statements

4 Financial expenses

Interest paid to group enterprises	0	0	0	219,785
Other financial expenses	12,694,800	11,002,320	11,872,765	8,000,047
Exchange loss	0	0	7,369	208,886
	12,694,800	**11,002,320**	**11,880,134**	**8,428,718**

5 Tax on profit/loss for the year

	Group		Parent	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
Current tax for the year	12,568	155,375	-12	0
Deferred tax for the year	-4,476,797	-4,516,817	0	0
	-4,464,229	**-4,361,442**	**-12**	**0**

6 Intangible assets

Group

	Completed development projects	Acquired patents	Goodwill
	DKK	DKK	DKK
Cost at 1 January	186,134,989	310,385	411,509,041
Additions for the year	23,623,126	0	0
Cost at 31 December	209,758,115	310,385	411,509,041
Impairment losses and amortisation at 1 January	136,136,014	62,082	121,738,091
Impairment losses for the year	0	248,303	0
Amortisation for the year	18,188,283	0	20,575,452
Impairment losses and amortisation at 31 December	154,324,297	310,385	142,313,543
Carrying amount at 31 December	**55,433,818**	**0**	**269,195,498**

Notes to the Financial Statements

6 Intangible assets (continued)

Group

	Completed development projects	Acquired patents	Goodwill
	DKK	DKK	DKK

The Group's development projects comprise development of new functionality in the Group's product portfolio (Ace, Model, Build and Quote) as well as development of cloudbased solutions/products. The projects are progressing as planned, and the cost are capitalized on an ongoing basis. The individual projects are amortised over the shorter of the sellable life of product or 5 years. The amortisation begins at completion. Market research and customer interest show an increased interest for the key competences of the Group – development and research in software that enables implementation of CLM (Configuration Lifecycle Management) the core of which is the patented technology of the parent company Configit A/S.

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 January	8,135,471	662,847
Additions for the year	2,111,029	1,539,507
Disposals for the year	0	-257,792
Cost at 31 December	10,246,500	1,944,562
Impairment losses and depreciation at 1 January	7,323,430	689,911
Depreciation for the year	508,938	276,492
Reversal of impairment and depreciation of sold assets	0	-143,904
Impairment losses and depreciation at 31 December	7,832,368	822,499
Carrying amount at 31 December	**2,414,132**	**1,122,063**

Notes to the Financial Statements

	Parent	
	2022	2021
	DKK	DKK
8 Investments in subsidiaries		
Cost at 1 January	621,821,752	551,821,752
Additions for the year	0	70,000,000
Cost at 31 December	621,821,752	621,821,752
Value adjustments at 1 January	-293,565,927	-230,077,495
Net profit/loss for the year	-44,507,254	-38,640,149
Other equity movements, net	-4,014,496	-4,272,831
Amortisation of goodwill	-20,575,452	-20,575,452
Value adjustments at 31 December	-362,663,129	-293,565,927
Carrying amount at 31 December	**259,158,623**	**328,255,825**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Configit A/S	Copenhagen, Denmark	41,806,783	100%	-10,036,876	-44,507,254

Notes to the Financial Statements

9 Other fixed asset investments

	Group
	Other receiv-ables
	DKK
Cost at 1 January	2,810,902
Disposals for the year	-964,587
Cost at 31 December	1,846,315
Carrying amount at 31 December	**1,846,315**

10 Prepayments

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

11 Share capital

The share capital is broken down as follow:

	Number	Nominal value
		DKK
A-shares	0	1,231,050
AA-shares	0	248,019
B-shares	0	392,567
BB-shares	0	87,310
C-shares	0	2,899,094
CC-shares	0	562,132
X-shares	0	1
Y-shares	0	1
P-shares	0	361,981
		5,782,155

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

12 Distribution of profit

	Parent 2022	Parent 2021
	DKK	DKK
Retained earnings	-75,037,579	-64,482,022
	-75,037,579	**-64,482,022**

13 Deferred tax asset

	Group 2022	Group 2021	Parent 2022	Parent 2021
	DKK	DKK	DKK	DKK
Deferred tax asset at 1 January	4,516,817	5,200,000	0	0
Amounts recognised in the income statement for the year	5,636,348	4,516,817	0	0
Amounts recognised in the year	-4,516,817	-5,200,000	0	0
Deferred tax asset at 31 December	**5,636,348**	**4,516,817**	**0**	**0**

There is uncertainty related to future forecast and when the tax asset will be fully utilised. The Company has as in previous years capitalised the amount above as in accordance with ligningsloven 8X.

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group 2022	Group 2021	Parent 2022	Parent 2021
	DKK	DKK	DKK	DKK
Credit institutions				
Between 1 and 5 years	95,970,818	36,351,254	95,970,818	36,351,254
Long-term part	95,970,818	36,351,254	95,970,818	36,351,254
Other short-term debt to credit institutions	12,350,863	52,843,035	1,522	52,843,035
	108,321,681	**89,194,289**	**95,972,340**	**89,194,289**

Notes to the Financial Statements

14 Long-term debt (continued)

	Group		Parent	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
Other payables				
After 5 years	6,363,502	0	0	0
Between 1 and 5 years	35,926,719	39,266,398	35,926,719	33,055,613
Long-term part	42,290,221	39,266,398	35,926,719	33,055,613
Other short-term payables	29,767,802	33,702,817	1,852,389	7,303,027
	72,058,023	**72,969,215**	**37,779,108**	**40,358,640**

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

	Group		Parent	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK

16 Cash flow statement - adjustments

	Group 2022 DKK	Group 2021 DKK	Parent 2022 DKK	Parent 2021 DKK
Financial income	-4,158,931	-3,239,026	-3,090,104	-6,458,849
Financial expenses	12,694,800	11,002,320	11,880,134	8,428,718
Depreciation, amortisation and impairment losses, including losses and gains on sales	39,883,398	40,089,546	0	0
Income from investments in subsidiaries	0	0	65,082,706	59,215,601
Tax on profit/loss for the year	-4,464,229	-4,361,442	-12	0
Exchange adjustment (should be transferred to other accounting lines)	0	0	5,078,195	0
Other adjustments	-9,407,772	-4,704,841	-9,407,772	-4,704,841
	34,547,266	**38,786,557**	**69,543,147**	**56,480,629**

17 Cash flow statement - change in working capital

	Group 2022 DKK	Group 2021 DKK	Parent 2022 DKK	Parent 2021 DKK
Change in receivables	1,418,928	13,515,126	6,441,485	-4,296,160
Change in trade payables, etc	2,943,137	8,224,547	-2,836,171	5,184,004
	4,362,065	**21,739,673**	**3,605,314**	**887,844**

	Group		Parent	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK

18 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:
Parent company:
Investments in group enterprises with a carrying amount of tDKK 328.256 have been deposited as collateral with a credit institution.

The Group:
Company pledge, nominal tDKK 20.000, in the Groups intangible assets, other fixtures and debtors has been deposited as collateral with a credit institution.

Rental and lease obligations

	Group 2022 DKK	Group 2021 DKK	Parent 2022 DKK	Parent 2021 DKK
There has entered into operating lease of premises (TDKK).	16,744	16,571	0	0

Guarantee obligations

In accordance with Section 479A of the Companies Act 2006, Configit Limited (UK company number 07883893) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of guarantee provided by Configit A/S.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. 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.

The company have guaranteed Configit A/S’ commitment with Jyske Bank A/S.

The Group has undertaken to provide financial support to the subsidiary Configit GmbH. The amount is EUR 4.357.597 recognised in the Financial Statements for 2022.

Notes to the Financial Statements

19 Related parties

	Basis
Controlling interest	
Polaris Privat Equity IV KS, Copenhagen	Main shareholder

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.

20 Subsequent events

In June 2023 a capital increase of DKK 25 million was approved.

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

Notes to the Financial Statements

21 Accounting Policies

The Annual Report of Configit Holding A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 are presented in DKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

21 Accounting Policies (continued)

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Configit Holding A/S, 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.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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

As income recognition criterion for sale of services, the production criterion is applied. Revenue comprises the invoiced revenue for the year reduced by prepayments and with addition for work in progress measured at market value.

As income recognition criterion for license sales, the sales method is applied. Revenue is recognised in the income statement when delivery is made and risk has been transferred to the buyer before the end of the financial year.

As income recognition criterion for sale of support and maintenance, the sales method is applied. Revenue is recognised over the contract period regarding support and maintenance and therefore deferred revenue is recognised within the balance sheet.

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

Other external expenses

Other external expenses comprise elling costs, facility costs, administrative expenses, and not capitalised development costs.

Gross profit/loss

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

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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.

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 changes in deferred tax for the year. The tax attributable to the profit for the 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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 3-5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

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

Notes to the Financial Statements

21 Accounting Policies (continued)

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 raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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	5 years
Leasehold improvements	5 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 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.

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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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 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.

Notes to the Financial Statements

21 Accounting Policies (continued)

Financial debts

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Group´s and the Parent Company´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 and the Parent Company´s cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

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.

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” and ”Overdraft facilities”.

Notes to the Financial Statements

21 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$