Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
Postboks 1600
0900 København C

Phone 36 10 20 30
Fax 36 10 20 40
www.deloitte.dk

CC Lingo Invest ApS

Nitivej 10, 1.
2000 Frederiksberg
Central Business Registration
No 38601024

Annual report 2019

The Annual General Meeting adopted the annual report on 16.03.2020

Chairman of the General Meeting

Name: Søren Bech Justesen

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Entity details

Entity
CC Lingo Invest ApS
Nitivej 10, 1.
2000 Frederiksberg

Central Business Registration No (CVR): 38601024
Founded: 28.04.2017
Registered in: Frederiksberg
Financial year: 01.01.2019 - 31.12.2019

Board of Directors
Vilhelm Eigil Hahn-Petersen, Chairman
Jens Jørgen Hahn-Petersen
Peter Ryttergaard

Executive Board
Peter Ryttergaard

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of CC Lingo Invest ApS for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019 and of the results of their operations and cash flows for the Group for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Frederiksberg, 20.02.2020

Executive Board

Peter Ryttergaard

Board of Directors

Vilhelm Eigil Hahn-Petersen Chairman	Jens Jørgen Hahn-Petersen	Peter Ryttergaard

Independent auditor's report

To the shareholders of CC Lingo Invest ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of CC Lingo Invest ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 20.02.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification No (MNE) mne33276

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000
Financial highlights			
Key figures			
Revenue	419.600	273.377	104.186
Gross profit/loss	168.382	103.691	44.661
Operating profit/loss	(11.472)	(12.448)	5.881
Net financials	(15.905)	(7.673)	(2.349)
Profit/loss for the year	(25.095)	(19.673)	1.829
Profit/loss excl minority interests	(25.095)	(19.673)	921
Total assets	524.157	564.531	240.834
Investments in property, plant and equipment	796	3.885	1.027
Equity	154.613	127.378	39.637
Equity excl minority interests	91.912	67.657	1.572
Average numbers of employees	266	150	112
EBITDA	32.408	24.717	12.599
Normalized EBITDA	55.986	35.682	14.842
Net interest bearing debt	220.078	257.421	133.339
Ratios			
Gross margin (%)	40,1	37,9	42,9
Net margin (%)	(6,0)	(7,2)	1,8
Return on equity (%)	(31,5)	(56,8)	58,6
Equity ratio (%)	17,5	12,0	0,7
EBITDA normalized margin (%)	13,3	13,1	14,2

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

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	Gross profit/loss x 100 Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 Revenue	The entity's operating profitability.
Return on equity (%)	Profit/loss excl minority interests x 100 Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity excl minority interests x 100 Total assets	The financial strength of the entity.
EBITDA normalized margin (%)	EBITDA normalized x100 Revenue	The entity's normalized operational profitability.

EBITDA comprises of revenue and other operating income, less cost of sales, other external expenses, staff costs. Normalized EBITDA comprises of EBITDA excluding one-off items, related to acquisitions, legal restructuring and integration of Xplanation and Frontlab. Net interest bearing debt comprises of interest bearing debt (bank debt), less cash.

Management commentary

Primary activities

CC Lingo Invest is the majority owner of LanguageWire Group. LanguageWire is an industry-leading platform for language and content services. Since 2000, LanguagaWire has helped brands create global content with innovative technology, streamlined workflows, and a worldwide network of language experts. The Group operates in the highly fragmented +40 billion EUR market.

With profitable growth since its inception, LanguageWire has a noticeable niche position in the B2B domain, powered by a strong digital operating model and a well-invested technology backbone. Today, LanguageWire serves more than 3,000 customers through its 16 offices in 13 countries and enjoys a unique position as a technology market leader.

LanguageWire's value proposition is to advise businesses on their global content challenges. Providing workflow automation tools, a cloud-based platform and a transparent delivery model, the Group enables global brands to efficiently create content and translate it into many languages with minimum complexity and handling costs.

More information can be found on the Group's website at www.languagewire.com.

Development in activities and finances

The year 2019 was an exciting year for LanguageWire Group, where important steps were taken to realise the 2022 strategy. Key highlights were:

- 2019 was a year of transformation. In 2018 LanguageWire completed the acquisitions of FrontLab and Xplanation Language Services. Thus, 2019 was a year with a high focus on employee and system integration, and the migration of Xplanation's customers onto LanguageWire's platform.
- In 2019 significant investments have been undertaken to ensure a fast and successful customer migration. Overall, the migration is on plan, where more than 80% of Xplanation customers have now been migrated. During 2020, all the remaining Xplanation customers will be migrated and managed from ONE platform.
- In the spring of 2019, more than 350 colleagues were introduced to each other at a successful team

Management commentary

building event in Barcelona providing the opportunity in uniting the two organisations under the LanguageWire brand. The event was very well received by the employees, were networks across regions and business units were fast established. Moreover, the employees were onboarded in the future strategy for the joint LanguageWire company and the employees' energy and involvement underlines the company's great potential within machine learning, workflow optimisation and subscription services.

- We have continued to invest significantly in software development and technology. We have launched a new and industry-leading machine learning platform - an investment that will allow the company to further optimise and automate content workflows for customers. During 2020, LanguageWire expects up to 50% of all content to be touched by customer-specific MT-engines, allowing the company to become even more efficient.
- In 2019 the company welcomed two new members to the executive team. Mikkel Lundø has joined as the new CCO and Søren Bech Justesen as the new CFO. Mikkel brings significant content experience from a Danish machine learning consultancy, and Søren brings both international experience as well a strong M&A track record.

Looking towards 2020, LanguageWire is well-positioned to continue its growth and to further acquire market share in the fast-growing content industry based on its industry-leading platform and tech offering. Both the platform and the organisation have been fine-tuned for the next portion of the journey, and management expects growth in both new and existing markets.

Financial performance

During 2019 the consolidated gross profit for the Group grew to DKK 168 million (2018: DKK 104 million) and EBITDA before adjustments of one-off items grew to DKK 32 million (2018: DKK 25 million).

The full year, normalized EBITDA reached DKK 56 million (2018: DKK 36 million). One-off items of DKK 24 million relates to transaction and integration costs in connection with the acquisitions of Xplanation and FrontLab.

This is a significant achievement and a result of large investments in technology, paving the way for higher efficiency and productivity. Further, LanguageWire Group continues to see an increase in customers subscribing to our SaaS tools in line with our ambition towards 2022.

Being a year of transformation, Management considers the results for 2019 to be satisfactory and according to expectations from the 2018 financialstatement.

Outlook

In 2020, CC Lingo Invest ApS and the LanguageWire Group expects growth in revenue and EBITDA in the range of 5-15 %.

Management commentary

Corporate governance

By virtue of its private equity ownership, CC Lingo Invest ApS is subject to 'Guidelines for responsible ownership and good corporate governance', as defined by the Danish Venture Capital and Private Equity Association. The guidelines are available at DVCA's website, www.dvca.dk. CC Lingo Invest ApS is owned by the Private Equity Fund, Catacap II with 95% and 5 % by Catacap II Invest Management A/S.

The organisation of CC Lingo Invest ApS and the LangaugeWire Group management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's articles of association. The Group has based its corporate governance efforts on a two-tier system where the board of directors and the executive management have two distinct roles. The executive management undertakes the operational management of the company, whereas the board of directors determines the overall company strategy and acts as an active sparring partner to the executive management of the company. The Board ensures that the executive management follows the defined objectives, strategies and business procedures. Feedback from executive management takes place systematically in meetings and through written and verbal reports. The Board considers that this, along with the internal procedures, provides for adequate and effective risk management and appropriate internal controls.

The board of directors and executive management

The chief executive officer (CEO) for CC Lingo Invest ApS is Mr. Peter Ryttergaard.

The composition of the Board is as follows:
Mr. Vilhelm Eigil Hahn-Petersen, Chairman,
Mr. Jens Jørgen Hahn-Petersen,
Mr. Peter Ryttergaard.

The Board holds 0% of the shares in CC Lingo Invest ApS. The Board members holds the following positions:

Chariman Vilhelm Eigil Hahn-Petersen, Partner at CataCap

Chairman	Deputy Chairman	Board member/CEO
CC Green Wall Invest ApS	CC Fly Holding I ApS	MYCO ApS
CC Lingo Invest ApS	CC Fly Holding II A/S	Airhelp Limited
	Rekom Group A/S	CATACAP MANAGEMENT A/S
	CC OSCAR HOLDING I A/S	CATACAP DM ApS
	CASA A/S	CataCap DM II ApS
	Mobylife Holding A/S	CATACAP OP ApS
	Mobylife DK A/S	CataCap General Partner II ApS
	Mobylife AS	CC II Management Invest 2017 GP ApS
	Mobylife AB	CATACAP GENERAL PARTNER I ApS
	Mobylife OY	CC Fly Invest ApS
		Rekom ManCo ApS
		TPA Holding II A/S
		TPA Holding I A/S
		TP AEROSPACE HOLDING A/S
		TPA Green ManCo ApS
		CC TOOL INVEST ApS
		G.S.V. Holding A/S

Management commentary

G.S.V. MATERIELUDLEJNING A/S
CC TRACK INVEST ApS
CC TRACK INVEST ApS
LYNGSOE SYSTEMS HOLDING A/S
LYNGSOE SYSTEMS A/S
CC Oscar Invest ApS
CASA ManCo ApS
CC ORANGE INVEST ApS
CC ORANGE INVEST ApS
Mobylife DM ApS
CC EXPLORER INVEST ApS
CC Globe Invest ApS
LW ManCo ApS

Board member Jens Jørgen Hahn-Petersen, Partner at CataCap

Chairman	Deputy Chairman	Board member/CEO
CC SKY Invest ApS	SkyBrands Holding A/S	PROSPERITAS ApS
CC EXPLORER INVEST ApS	SKYBRANDS A/S	CATACAP MANAGEMENT A/S
CC Oscar Invest ApS	HB-Care Holding A/S	CataCap General Partner II ApS
CC TOOL INVEST ApS	HB-CARE A/S	CataCap DM II ApS
CC TRACK INVEST ApS	HB-Care Leasing ApS	CATACAP DM ApS
CC ORANGE INVEST ApS	HB-Care Leasing 1 ApS	CATACAP OP ApS
	HB-Care Leasing 2 ApS	CC II Management Invest 2017 GP ApS
	HB-Care Leasing 3 ApS	CATACAP GENERAL PARTNER I ApS
		SkyBrands Holding A/S
		LW ManCo ApS
		LANGUAGEWIRE A/S
		Languagewire Holding A/S
		CC Lingo Invest ApS
		CC Globe Invest ApS
		CC Globe Holding I ApS
		CC Globe Holding II A/S
		DANAWEB A/S
		DANAWEB INTERNATIONAL A/S
		Optimeo A/S
		CC Green Wall Invest ApS
		TPA Green ManCo ApS
		CC Fly Invest ApS
		Rekom ManCo ApS
		CASA ManCo ApS

Board member Peter Ryttergaard, Partner at CataCap

Chairman	Deputy Chairman	Board member/CEO
Aerfin Holdings Limited	G.S.V. Holding A/S	BULDUS EJENDOMME ApS
Aerfin Limited	G.S.V. MATERIELUDLEJNING A/S	CASA A/S
Atlantic HoldCo Limited	TP AEROSPACE HOLDING A/S	CASA ManCo ApS
Atlantic OfferCo Limited	TPA Holding I A/S	CATACAP DM ApS
	TPA Holding II A/S	CataCap DM II ApS
		CATACAP GENERAL PARTNER I ApS
		CataCap General Partner II ApS

Management commentary

CATACAP MANAGEMENT A/S
CATACAP OP ApS
CC EXPLORER INVEST ApS
CC Fly Invest ApS
CC Globe Invest ApS
CC Green Wall Invest ApS
CC II Management Invest 2017 GP ApS
CC Lingo Invest ApS
CC ORANGE INVEST ApS
CC OSCAR HOLDING I A/S
CC Oscar Invest ApS
CC SKY Invest ApS
CC TOOL INVEST ApS
HB-Care Leasing ApS
INVESTERINGSSELSKABET AF 27/12 1985 ApS
KJÆRULF PEDERSEN A/S
LW ManCo ApS
Mobylife AB
Mobylife AS
Mobylife DK A/S
Mobylife DM ApS
Mobylife Holding A/S
Mobylife OY
Rekom ManCo ApS
RYTTERGAARD INVEST A/S
TPA Green ManCo ApS

Material assumptions and uncertainties

During the financial year LanguageWire Group has reassessed amortization periods on goodwill. The reassessment is due to an updated business case for the group. This changes the amortization period from 10 to 20 years, effecting net result positive with DKK 11.3 million. The new amortization period are established by management expectation to the future value creation that the goodwill comprises. Furthermore, the business which the goodwill is associated with, has more than 15 years of history. Therefore management believes that the new period reflects the underlying asset.

Particular risks

The Board and executive management of LanguageWire Group engage in a continuing dialogue about important circumstances in the Group, one element being risks with a potentially large influence on the Group. In the following, we state the important and identified risks that are being discussed and the corresponding mitigating measures initiated in the various areas.

Market risk

The most important business-related risk for the LanguageWire Group is still the ability to consistently and continuously deliver good service and produce high-quality content at competitive prices in the served markets. Partnerships are integral in accessing our customers and markets, and we strive to nurture these relations. Our high-end technological capabilities provide assurance for our competitiveness, and we continuously monitor new technologies to maintain a state-of-the art value offerings for our customers.

Management commentary

Product risk

The main product of the Group is a language platform through which customers primarily order translations or content services, and the biggest risks are in the human element, as well as the Group's information assets. To manage and mitigate risk, the Group decided, in 2016, to implement the ISO 17100 (Translation Services) standard, according to which we now are certified. Moreover, in 2017, the ISO 27001 (Information Security Management System) standard was rolled out, according to which we are aiming to become certified in Q1 2020; and finally, in 2020, the ISO 9001 (Quality Management System) standard, with the aim of certification. These certifications will provide the highest level of quality assurance in the industry.

Credit risk

The Group's credit risks relate to trade receivables included in the balance sheet. The Group has a long track record of little or no loss on trade receivables in the past, and only a few overdue invoices from time to time. The risk is deemed small. However, the aging reports are monitored monthly, and derivations are addressed promptly.

IT risk

As a technology company, IT is the core of all our offerings. High levels of IT security are paramount, and we continuously ensure that policies and practices provide this. In 2017, the ISO 27001 (Information Security Management System) standard was rolled out, and we are aiming to become certified in Q1 2020.

Sourcing risk

The core resource for the Group is the network of freelance translators and other language experts. The market for language experts is huge, and the sourcing risk is deemed low; however, it is important to nurture the community to ensure a sustainable recruitment base for future growth.

Financial risk

The Board and the executive management regularly evaluate whether the capital structure of the Group is in accordance with our overall targets and supports long-term sustainable economic growth.

Foreign exchange and credit risks relating to commercial activities are either hedged or considered to be at an appropriately low level. The Group's activities are primarily carried out in Western Europe, with EUR (incl. DKK) as the main currency followed by SEK and GBP.

Foreign exchange rate fluctuations related to the translation of the results and intercompany balance of foreign subsidiaries at the balance sheet date also constitute a risk. The company does not hedge this type of risk. Consequently, the Group may be affected in the short term by exchange rate fluctuations related to the translation of the results and intercompany balance of subsidiaries into DKK.

Environmental performance

Management commentary

For the Languagewire Group, our CSR goal is to contribute where we can make a difference, rather than spending our time creating reports and documentation. Our approach to CSR reflects the fact that we operate in the language industry, a sector not usually associated with biased gender distribution or a negative footprint on the environment or human rights.

We focus our efforts on three areas: our people, our customers and our surroundings.

Our people

LanguageWire is a community where communication is open, informal and friendly. The fact that we respect each other personally and professionally promotes collaboration and a positive social environment. We want people to enjoy coming to work, and our regular employee engagement surveys show that we enjoy working together and are proud to work at LanguageWire.

We support initiatives that promote a social and enjoyable work environment by allocating money to our employee association, PeopleWire. Additionally, we provide flexible working conditions and participate in a range of physical activities, such as running, yoga and cycling events. In our offices, we make sure that fruit is available, and employees participate in communal breakfasts on Fridays.

A workforce made up of various cultures, genders, ages and languages provides valuable perspectives. This focus on diversity is essential for our creativity, agility, competitiveness and, as a result, success. We achieve this by fostering a supportive environment in which all individuals can realise their potential. Specifically, we track gender distribution within departments and at different levels of our organisation.
LanguageWire's gender distribution is 60/40 in favour of women, and LanguageWire's overall diversity policy is to employ or promote the best and most suitable persons, no matter the gender.

Top management

The board consists of seven people that are all men. It is LanguageWire's aim to have at least one female Board member be the end 2020.

Other leading positions

As of 31 December, the gender distribution in management in Languagewire Group positions is 60/40 in favour of men. LanguageWire will continue to work to achieve a balanced mix of both male and female candidates in the recruiting process for management positions.

Anti-corruption

The Group has implemented a business ethics policy to ensure that we act according to high ethical standards and clearly forbid the participation in any kind of bribery or facility payments – both directly and indirectly.

The Group and its subsidiaries are closely monitored by Group finance, which also mainly handles financial management of subsidiaries and ensures an appropriate degree of separation of functions.

Our customers

Our mission to provide superior service for our customers is supported by our commitment to conduct business ethically and ensure that we comply with the laws and regulations that govern our business and industry. We are committed to adhering to all of the laws and regulations in the countries where we operate.

Management commentary

For example, we do not accept any form of bribery, including gifts, hospitality or entertainment that could raise concerns about our integrity.

Our surroundings
LanguageWire Group cares about the world we live in and strive to make a positive impact where we can.

We use Goodwings for hotel bookings, meaning that approximately 5.0% of what we spend on hotels goes to a charitable project of our choice. Through this scheme, we are currently supporting Plan Denmark's initiative: Empowering Girls Through Education. We believe that by using Goodwings, we are making a positive difference in the world.

We take an active part in Mind Your Own Business (MYOB) as a mentoring company. MYOB is a non-profit organisation that creates an alternative learning space for boys living in socially disadvantaged residential areas. We contribute our time and knowledge to guide and assist boys in the creation of micro-enterprises.

Environmental performance
LanguageWire supports all human rights within national laws, as well as international laws. We strive to make the world a better place, and we acknowledge the importance of supporting the local community as well as helping in a larger perspective.

LanguageWire is focused on company-wide health and job satisfaction and ensures that a healthy and safe working environment, in accordance with current legislation, is provided.

LanguageWire does not generate higher levels of direct pollution or emissions than the norm in the language industry. In 2019 LanguageWire continued its effort to minimise the environmental implications of transportation between our offices by using telephone and video conference equipment to the highest extent possible.

Due to the nature of the company, LanguageWire does not have an environmental policy, but is aiming to have one in place by the end of 2020.

Research and development activities
LanguageWire does not carry out research but is continuously developing systems to further digitalise the processes and support its customers' businesses.

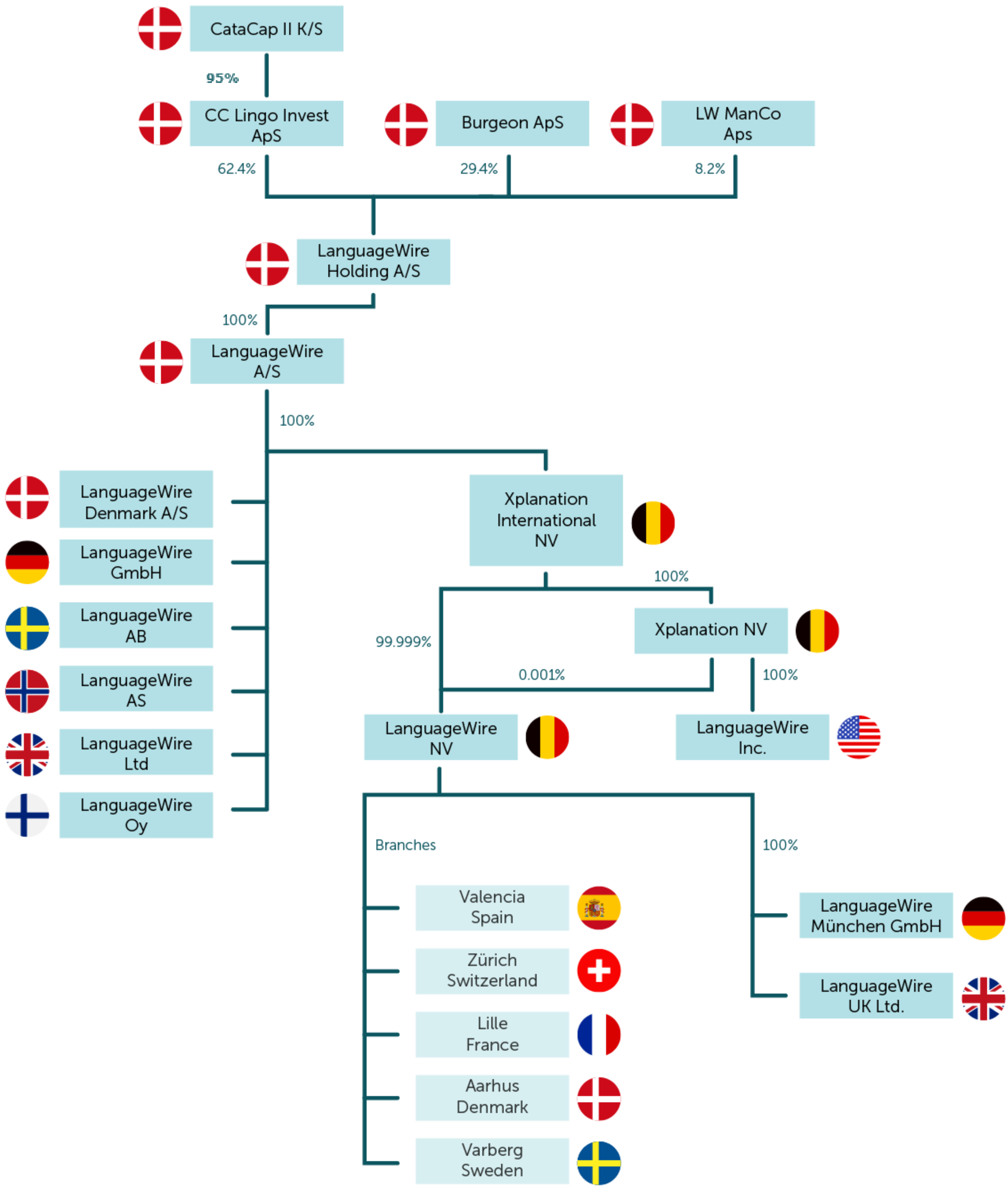
Group relations
CC Lingo Invest ApS is owned by the Private Equity Fund, Catacap II with 95% and 5 % by CataCap II Management Invest A/S. LanguageWire is 62.4% owned (voting rights) by CC Lingo Invest ApS, 29.4% is owned by former majority owner Burgeon ApS and 8.2% is owned by group management.

The Group owns 100% of LanguageWire A/S. LanguageWire A/S owns 100% of LanguageWire Denmark A/S, LanguageWire AB (Sweden), LanguageWire GmbH (Germany), LanguageWire AS (Norway), LanguageWire Ltd. (UK-I) and LanguageWire OY (Finland) (a resting company), Xplanation International NV, Xplanation NV, LanguageWire NV (Belgium), LanguageWire Munich GmbH (Germany), LanguageWire Inc. (USA),

Management commentary

LanguageWire UK Ltd. (UK-II). Please refer to the below Group structure.

Group structure



Management commentary

Country overview

LanguageWire operates with 16 offices in the U.S, Belgium, France, UK, Germany, Denmark, Sweden, Switzerland, China, Norway, Spain, Ukraine and Poland.

As of 31 December 2019, LanguageWire has 320 employees (including thirdparty development teams in Poland and Ukraine), which is an increase of 5.0% (14 employees) since December 2019. Of these, 223 employees (62%) are located outside of Denmark.

Denmark

LanguageWire was established in 2000 in Copenhagen. We have offices in Copenhagen (Sjælland) and Aarhus (Jylland) with a total of 60 FTEs.

Nordics

LanguageWire was established in Sweden in 2002 and in Norway in 2005. We serve the Nordic region with offices in Stockholm, Gothenburg and Varberg. The Nordic region has 25 FTEs.

Germany

LanguageWire was established in Germany in 2002 and has offices in Hamburg and Munich. The DACH region has a total of 58 FTEs.

UK

LanguageWire was established in London in 2011, and this is newest region in the Group. The region operates out of our new office in Bermondsey with 17 FTEs.

France

France is managed out of Lille with four FTEs.

Benelux

Belgium and Dutch customers are handled by our office in Leuven, which has 40 FTEs.

Switzerland

Switzerland is managed out of Zurich with six FTEs.

U.S.

The Group is currently enjoying rapid growth from U.S. customers. Our customers are managed out of offices in Atlanta and San Diego, with a total of four FTEs.

Spain

A shared service centre is managed out of Valencia with a total of 52 FTEs.

Ukraine

A development centre in Kiev, Ukraine, was established in 2004 and has 42 FTEs performing technology development and IT support for the group.

Management commentary

Poland

A development centre in Gdansk, Poland, was established in 2016 with 14 FTEs developing, implementing and supporting LanguageWire connectors.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Revenue		419.600	273.377
Other operating income		158	2.314
Cost of sales		(195.119)	(122.578)
Other external expenses		(56.256)	(49.422)
Gross profit/loss		**168.383**	**103.691**
Staff costs	2	(135.976)	(78.974)
Depreciation, amortisation and impairment losses	3	(43.878)	(37.165)
Operating profit/loss		**(11.471)**	**(12.448)**
Other financial income		385	1.958
Other financial expenses		(16.290)	(9.631)
Profit/loss before tax		**(27.376)**	**(20.121)**
Tax on profit/loss for the year	4	2.282	448
Profit/loss for the year	5	**(25.094)**	**(19.673)**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Completed development projects		15.528	17.215
Acquired intangible assets		179.336	207.172
Goodwill		196.820	208.324
Development projects in progress		18.072	658
Intangible assets	6	**409.756**	**433.369**
Other fixtures and fittings, tools and equipment		3.713	4.305
Property, plant and equipment	7	**3.713**	**4.305**
Deposits		1.200	1.126
Fixed asset investments	8	**1.200**	**1.126**
Fixed assets		**414.669**	**438.800**
Trade receivables		80.350	80.568
Contract work in progress		6.668	4.596
Deferred tax	9, 11	4.776	7.036
Other receivables		1.185	2.748
Income tax receivable		4.571	516
Prepayments	10	1.678	2.566
Receivables		**99.228**	**98.030**
Cash		**10.261**	**27.701**
Current assets		**109.489**	**125.731**
Assets		**524.158**	**564.531**

Consolidated balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital		90	60
Retained earnings		91.822	67.597
Equity attributable to the Parent's owners		**91.912**	**67.657**
Share of equity attributable to minority interests		**62.701**	**59.721**
Equity		**154.613**	**127.378**
Deferred tax	9, 11	55.491	59.432
Provisions		**55.491**	**59.432**
Bank loans		0	223.521
Non-current liabilities other than provisions		**0**	**223.521**
Current portion of long-term liabilities other than provisions		0	13.000
Bank loans		230.339	48.601
Prepayments received from customers		12.723	14.396
Trade payables		39.130	39.690
Payables to shareholders and management		1.700	563
Income tax payable		479	2.421
Other payables		29.683	35.529
Current liabilities other than provisions		**314.054**	**154.200**
Liabilities other than provisions		**314.054**	**377.721**
Equity and liabilities		**524.158**	**564.531**
Change in accounting estimates	1		
Financial instruments	13		
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Subsidiaries	16		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Share of equity attributable to minority interests DKK'000	Total DKK'000
Equity beginning of year	60	67.597	59.721	127.378
Effect of divestments of entities etc	0	0	21	21
Increase of capital	30	49.920	3.446	53.396
Exchange rate adjustments	0	(1.076)	(836)	(1.912)
Other entries on equity	0	(10.038)	10.862	824
Profit/loss for the year	0	(14.581)	(10.513)	(25.094)
Equity end of year	**90**	**91.822**	**62.701**	**154.613**

Consolidated cash flow statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Operating profit/loss		(11.471)	(12.448)
Amortisation, depreciation and impairment losses		43.878	37.165
Working capital changes	12	(1.735)	(14.822)
Cash flow from ordinary operating activities		**30.672**	**9.895**
Financial income received		385	1.958
Financial expenses paid		(20.689)	(10.710)
Income taxes refunded/(paid)		(5.396)	(1.707)
Cash flows from operating activities		**4.972**	**(564)**
Acquisition etc of intangible assets		(18.904)	(7.886)
Acquisition etc of property, plant and equipment		(796)	(87)
Sale of property, plant and equipment		28	0
Acquisition of enterprises		(6.765)	(192.406)
Repayments received		0	754
Cash flows from investing activities		**(26.437)**	**(199.625)**
Loans raised		11.407	285.685
Repayments of loans etc		(61.602)	(169.195)
Cash increase of capital		53.396	106.905
Other cash flows from financing activities		824	3.795
Cash flows from financing activities		**4.025**	**227.190**
Increase/decrease in cash and cash equivalents		**(17.440)**	**27.001**
Cash and cash equivalents beginning of year		27.701	700
Cash and cash equivalents end of year		**10.261**	**27.701**

Notes to consolidated financial statements

1. Change in accounting estimates

In 2019 LanguageWire Group has reassessed the amortization period on goodwill. This changes the period from 10 to 20 years. The change has a positive effect on the result of the Group amounting to 11.3 million. This effect also has a positive effect on goodwill and equity. The change has no tax effect.

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	112.957	67.044
Pension costs	13.004	3.119
Other social security costs	8.103	8.595
Other staff costs	1.912	216
	135.976	**78.974**
Average number of employees	**266**	**150**

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	42.517	36.707
Depreciation of property, plant and equipment	1.361	458
	43.878	**37.165**

	2019 DKK'000	2018 DKK'000
4. Tax on profit/loss for the year		
Current tax	(1.634)	1.611
Change in deferred tax	(1.678)	(1.792)
Adjustment concerning previous years	1.030	(267)
	(2.282)	**(448)**

	2019 DKK'000	2018 DKK'000
5. Proposed distribution of profit/loss		
Retained earnings	(25.094)	(19.673)
	(25.094)	**(19.673)**

Notes to consolidated financial statements

	Completed develop-ment projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Develop-ment projects in progress DKK'000
6. Intangible assets				
Cost beginning of year	24.203	223.843	227.944	658
Transfers	912	0	0	(912)
Additions	578	0	0	18.326
Cost end of year	**25.693**	**223.843**	**227.944**	**18.072**
Amortisation and impairment losses beginning of year	(6.988)	(16.671)	(19.620)	0
Amortisation for the year	(3.177)	(27.836)	(11.504)	0
Amortisation and impairment losses end of year	**(10.165)**	**(44.507)**	**(31.124)**	**0**
Carrying amount end of year	**15.528**	**179.336**	**196.820**	**18.072**

Development projects

Development projects relates to the development of new versions LanguageWire's existing software products and the development of new products. Projects are divided into four categories:

1) The LanguageWire platform

New workflow options and workflow automation processes were added to the platform, enabling our project managers to reduce the number of manual steps for the translation projects. A computer aided translation (CAT) tool called Smart Editor 2 was developed to increase productivity of the translators and to make translation validation easier. Another new platform product is the hierarchic customer management, which allows to structure large companies in different department levels, making it easier to configure and handle large multinational customers.

2) Customer Integration Products

Two additional integrations were developed: a Drupal connector, which allows customers to send content and translation products directly from the Drupal Web Content Management System, and a Phrase connector, which enables easy cooperation between the niche Phrase translation service and the Languagewire platform.

3) Machine Learning Services

The machine learning team has created services that product machine translation and training of machine translation engines that are used in the translation workflows to increase the productivity of our translator community. On top of that, machine learning dashboards were developed to measure the impact of the new services.

Notes to consolidated financial statements

4) Other products

The platform has been integrated with a new financial system (MS AX) to provide more flexibility and scale to cater for the more sophisticated invoicing requirements of our customers.

Prior to launching the development of new products and services, the company has examined the need for and viability of the solutions with internal staff, customers and partners (discovery phase). The product development has been executed with the developers assigned by the resource managements as planned (implementation phase). The software is marketed in existing markets for the company's existing customers as well as for new customers and new markets.

	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	4.907
Exchange rate adjustments	13
Additions	796
Disposals	(194)
Cost end of year	**5.522**
Depreciation and impairment losses beginning of year	(602)
Exchange rate adjustments	(13)
Depreciation for the year	(1.361)
Reversal regarding disposals	167
Depreciation and impairment losses end of year	**(1.809)**
Carrying amount end of year	**3.713**

	Deposits DKK'000
8. Fixed asset investments	
Cost beginning of year	1.126
Exchange rate adjustments	31
Additions	206
Disposals	(163)
Cost end of year	**1.200**
Carrying amount end of year	**1.200**

9. Deferred tax

Deferred tax assets is tax losses recognised due to its expected use within the Group, the budget confirms

Notes to consolidated financial statements

this expectation.

10. Prepayments

Prepayments consists of prepaid expenses concerning rent, insurance premiums, prepaid suppliers, and subscriptions.

	2019 DKK'000	2018 DKK'000
11. Deferred tax		
Intangible assets	61.609	61.603
Property, plant and equipment	(87)	12
Receivables	0	91
Liabilities other than provisions	(270)	(37)
Tax losses carried forward	(5.761)	(2.237)
Other taxable temporary differences	(4.776)	(7.036)
	50.715	**52.396**

Changes during the year	
Beginning of year	52.396
Recognised in the income statement	(1.681)
End of year	**50.715**

	2019 DKK'000	2018 DKK'000
12. Change in working capital		
Increase/decrease in receivables	(1.074)	(9.025)
Increase/decrease in trade payables etc	(741)	(5.590)
Other changes	80	(207)
	(1.735)	**(14.822)**

13. Financial instruments

The Group has entered into a hedging arrangement on DKK against USD. The contracts has an exposure of USD 1.000.000 and the duration of the contracts runs between 31.01.2020 and 30.10.2020. The value of the instruments is recognized under other receivables and amounts to DKK 78.917.

	2019 DKK'000	2018 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**21.524**	**20.190**

Notes to consolidated financial statements

15. Assets charged and collateral

A deed registered to the bank secured on shares in LanguageWire Holding A/S has been registered as collateral for all balances with Nordea Bank owed by the Group. Languagewire Holding A/S has provided guarantee of payments for all amounts owed to Nordea Bank by the Group.

16. Subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
Languagewire A/S	Frederiksberg, Denmark	A/S	100,0
Lanuagewire AB	Göteborg, Sweden	AB	100,0
Languagewire GmbH	Hamburg, Germany	GmbH	100,0
Languagewire Ltd.	Oslo, Norway	Ltd.	100,0
Languagewire Oy	London, United Kingdom	Oy	100,0
Languagewire Danmark A/S	Copenhagen Denmark	A/S	100,0
Xplanation International N.V.	Leuven, Belgium	N.V.	100,0
Xplanation N.V.	Leuven, Belgium	N.V.	100,0
Xplanation Language Services N.V.	Leuven, Belgium	N.V.	100,0
Xplanation UK Ltd.	London, United Kingdom	Ltd.	100,0
Xplanation Deutschland GmbH	Munich, Germany	GmbH	100,0
Xplanation USA Inc.	Atlanta, USA	Inc.	100,0
Xplanation Denmark (Branch)	Aarhus, Denmark	Branch	100,0
Xplanation Sweden (Branch)	Varberg, Sweden	Branch	100,0
Xplanation Spain (Branch)	Valencia, Spain	Branch	100,0
Xplanation Switzerland (Branch)	Zürich, Switzerland	Branch	100,0
Xplanation France (Branch)	Lille, France	Branch	100,0
Xplanation Ireland (Branch)	Dublin, Ireland	Branch	100,0
Languagewire Holding A/S	Frederiksberg, Denmark	A/S	56,3

Parent income statement for 2019

	Notes	2019 DKK'000	2018 DKK'000
Other external expenses		(75)	(90)
Operating profit/loss		**(75)**	**(90)**
Income from investments in group enterprises		(23.569)	(11.860)
Other financial expenses		(1.271)	(1.008)
Profit/loss before tax		**(24.915)**	**(12.958)**
Tax on profit/loss for the year	2	296	242
Profit/loss for the year	3	**(24.619)**	**(12.716)**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Investments in group enterprises		86.172	110.817
Other investments		3.346	0
Fixed asset investments	4	**89.518**	**110.817**
Fixed assets		**89.518**	**110.817**
Receivables from group enterprises		184	184
Deferred tax	5	223	0
Income tax receivable		314	242
Receivables		**721**	**426**
Other investments		0	5.060
Other investments		**0**	**5.060**
Cash		**3.432**	**0**
Current assets		**4.153**	**5.486**
Assets		**93.671**	**116.303**

Parent balance sheet at 31.12.2019

	Notes	2019 DKK'000	2018 DKK'000
Contributed capital	6	90	60
Retained earnings		91.822	67.597
Equity		**91.912**	**67.657**
Bank loans		0	48.601
Trade payables		0	45
Payables to shareholders and management		1.700	0
Other payables		59	0
Current liabilities other than provisions		**1.759**	**48.646**
Liabilities other than provisions		**1.759**	**48.646**
Equity and liabilities		**93.671**	**116.303**
Staff costs	1		
Contingent liabilities	7		
Assets charged and collateral	8		
Related parties with controlling interest	9		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	60	67.597	67.657
Increase of capital	30	49.920	49.950
Exchange rate adjustments	0	(1.076)	(1.076)
Profit/loss for the year	0	(24.619)	(24.619)
Equity end of year	**90**	**91.822**	**91.912**

Notes to parent financial statements

	2019	2018
1. Staff costs		
Average number of employees	**0**	**0**

	2019 DKK'000	2018 DKK'000
2. Tax on profit/loss for the year		
Current tax	(163)	(242)
Change in deferred tax	(223)	0
Adjustment concerning previous years	90	0
	(296)	**(242)**

	2019 DKK'000	2018 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	(24.619)	(12.716)
	(24.619)	**(12.716)**

	Investments in group enterprises DKK'000	Other investments DKK'000
4. Fixed asset investments		
Cost beginning of year	119.921	0
Additions	0	3.346
Cost end of year	**119.921**	**3.346**
Revaluations beginning of year	(9.104)	0
Exchange rate adjustments	(1.076)	0
Share of profit/loss for the year	(13.531)	0
Other adjustments	(10.038)	0
Revaluations end of year	**(33.749)**	**0**
Carrying amount end of year	**86.172**	**3.346**

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

Notes to parent financial statements

	2019 DKK'000
5. Deferred tax	
Tax losses carried forward	223
	223
Changes during the year	
Recognised in the income statement	223
End of year	**223**

Deferred tax assets are tax losses which are recognised due to its expected use in the Group. The Group’s budget confirms the expectation.

	Number	Par value DKK'000	Nominal value DKK'000	Recorded par value DKK'000
6. Contributed capital				
A1-shares	8.541.860	0,00001	85	85
A2-shares	458.039	0,00001	5	5
B-shares	101	0,00001	0	0
	9.000.000		**90**	**90**

The contributed capital has been expanded by 3.000.000 shares with a nominal value of DKK 0,01.

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which it serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 5 July 2017 for income taxes etc and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company’s financial statements.

8. Assets charged and collateral

A deed registered to the bank secured on shares in LanguageWire Holding A/S has been registered as collateral for all balances with Nordea Bank owed by the Group.

9. Related parties with controlling interest

All transactions with related parties which have not been in accordance with market conditions will be disclosed. There have been no such transactions in the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year. Company financial statements are presented in DKK.

Changes in accounting estimates
In 2019 LanguageWire Group has reassessed the amortization period on goodwill. This changes the period from 10 to 20 years. The change has a positive effect on the result of the Group amounting to DKK 11.3 million by reducing amortizations. This effect has also effected goodwill and equity with same amount. The change has no tax effect.

Recognition and measurement
The financial statements have been prepared under the historical cost method.

Revenue is 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 amortisation, depreciation, provisions and reversals due to changes in accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

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.

Accounting policies

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group’s accounting policies.

Subsidiaries’ financial statement items are recognised in full in the consolidated financial statements.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises.

The take-over method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Foreign currency translation

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 transactions. 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.

When recognising foreign subsidiaries and associates that are independent entities, the income state-ments are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries’ equity at the begin-ning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Accounting policies

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are consid-ered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments
On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income statement
Revenue
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 dis-counts relating to sales.

Other operating income
Other operating income comprises items of a secondary nature to the core activities of the enterprises.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, sales and distribution as well as office expenses etc.

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

Accounting policies

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

Income from investments in group enterprises
Income from investments in subsidiaries in the income statement includes the proportionate share of the profit for the year.

Other financial income
Other financial income are recognised in the income statement at the amounts relating to the financial year.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is jointly taxed with wholly owned Danish subsidiaries, and its parent company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 20 years.

Intellectual property rights etc
Intellectual property rights consist of development projects and acquired customer relations.

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

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise

Accounting policies

can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover distribution and administrative expenses involved as well as the development costs.

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

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2017. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5-7 years.

Acquired customer relations are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

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

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

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: 3-5 years

Other fixtures and fittings, tools and equipment.

Other fixtures are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method.

Accounting policies

The item “Investments in group enterprises” in the balance sheet includes 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 any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

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 group enterprises.

Group enterprises with 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.

Receivables
Receivables are measured at amortised cost, which substantially corresponds to nominal value. Provisions are made for estimated bad debts.

Contract work in progress
Contract work in progress regarding services is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses related to sales work and the winning of contracts are recognised in the income statement as incurred.

Income tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

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

Accounting policies

Cash

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

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

Deferred tax

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 in 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 carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property and plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans and instalments on interest-bearing debt.

Cash and cash equivalents comprise cash.