

Languagewire Holding A/S

Nitivej 10, 1.
2000 Frederiksberg
Central Business Registration
No 38608924

Annual report 2018

The Annual General Meeting adopted the annual report on 19.03.2019

Chairman of the General Meeting

Name: Lars Olesen

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Entity details

Entity

Langugewire Holding A/S

Nitivej 10, 1.

2000 Frederiksberg

Central Business Registration No (CVR): 38608924

Registered in: Frederiksberg

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Jens Albert Harsaae, Chairman

Rasmus Philip Buhl Lokvig, Vice Chairman

Jens Jørgen Hahn-Petersen

Carsten Nygaard Knudsen

Gert Sylvest

Jørgen Vilhelm Løvenørn Bardenfleth

Henrik Wilsbech Lottrup

Executive Board

Henrik Wilsbech Lottrup

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen 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 Languagewire Holding A/S for the financial year 01.01.2018 - 31.12.2018.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018 and of the results of their operations and cash flows for the group for financial year 01.01.2018 - 31.12.2018.

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

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

Frederiksberg, 19.02.2019

Executive Board

Henrik Wilsbech Lottrup

Board of Directors

Jens Albert Harsaae
Chairman

Rasmus Philip Buhl Lokvig
Vice Chairman

Jens Jørgen Hahn-Petersen

Carsten Nygaard Knudsen

Gert Sylvest

Jørgen Vilhelm Løvenørn
Bardenfleth

Henrik Wilsbech Lottrup

Independent auditor's report

To the shareholders of Languagewire Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Languagewire Holding A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity'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.

Independent auditor's report

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 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 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 Entity'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 Entity'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.

Independent auditor's report

- 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.

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 group 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 group commentary and, in doing so, consider whether the group 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 group commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the group 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 group commentary.

Copenhagen, 19.02.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

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

Group commentary

	2018 DKK'000	2017 DKK'000
Financial highlights		
Key figures		
Revenue	273.377	104.186
Gross profit/loss	103.807	44.661
Operating profit/loss	(12.332)	5.881
Net financials	(6.664)	(1.510)
Profit/loss for the year	(18.796)	2.483
Total assets	564.283	240.022
Investments in property, plant and equipment	3.885	1.027
Equity	175.620	111.553
Average numbers of employees	150	112
EBITDA	24.830	12.599
EBITDA before special items	35.795	14.842
Net interest bearing debt	208.820	61.216
Ratios		
Gross margin (%)	38,0	42,9
Net margin (%)	(6,9)	2,4
Return on equity (%)	(13,1)	2,2
Equity ratio (%)	31,1	46,5

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

The Financial highlights of 2017 include 6 months.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Group commentary

Primary activities



LanguageWire is a platform for multilingual content. The Group operates in the highly fragmented +40 billion Euro global language services industry.

With a profitable growth since its inception in 2000, LanguageWire has a noticeable niche position in the marketing domain powered by a strong digital operating model and a well-invested technology backbone. Today, LanguageWire serves more than 3,000 customers through its 19 offices in 13 countries.

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

With a combined revenue of pro-forma DKK 450 million after the acquisition of Xplanation, more than 350 employees worldwide and a network of more than 5,000 language experts, LanguageWire is a market leader and enjoys long-term loyalty from many leading global B2B and B2C brands.

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

Development in activities and finances

2018 was an exciting and transformative year for LanguageWire, realizing significant organic growth and finalizing two important acquisitions.

Enjoying a solid increase in demand from both new and existing clients, like-for-like revenue grew more than 10% compared to 2017. This growth was fuelled by attracting new customers as well as existing accounts translating more content to more languages.

Organic revenue growth came from a mix of three areas:

- Translation services

Group commentary

- Other content services
- SaaS revenue from customers subscribing to our software tools

The Group’s overall strategy is to offer the most advanced and automated workflows for multilingual content. It is with great satisfaction that we see a rapid increase in customers subscribing to our SaaS tools.

Financial performance

During 2018 our consolidated gross profit grew to DKK 104 million (2017: DKK 45 million) and EBITDA before one-off items grew to DKK 36 million (2017: DKK 15 million). DKK 31 million relates to the part owned at the beginning of the year, and DKK 5 million comes from entities acquired during the year.

The full year pro-forma EBITDA before one-off items for the Group was DKK 56 million. One-off items of DKK 11 million relates to transactions cost and integration cost in connection with the acquisitions.

This is a significant achievement for us and a result of significant investments in technology, paving the way for higher efficiency and productivity.

After depreciation and amortisation, consolidated operating profit ended at loss of DKK 13 million (2017: profit of DKK 6 million). Depreciation and amortisation amounted to DKK 37 million (2017: DKK 7 million). The increase relates to the acquisition of Frontlab and Xplanation with an amount of DKK 6,7 million and an increase in the amortisation related to the acquisition of LanguageWire in 2017, where a reassessment of the goodwill and adjustment due to earn out payment resulted in a amortisation in 2018 on DKK 23 million (2017: 5 million).

The consolidated loss for the year was DKK 19 million (2017: profit of DKK 2,5 million).

Other 2018 key results.

▪ Revenue (including full year of acquired entities)	DKK 452 million
▪ Revenue growth like for like	+10%
▪ Jobs delivered	363,943
▪ Active customers	1,882
▪ Employees	369
▪ Language experts paid	2,111

A new powerhouse...

In 2018, the Group made two important acquisitions.

Frontlab: The Danish software company, was acquired during Q1 bringing new software and technology skills to the Group. Frontlab specialises in InDesign content workflows and has built a range of workflow tools for the modern marketer. Today, these tools are fully integrated in the LanguageWire platform and offered to end customers as a stand-alone SaaS solution.

Group commentary

Xplanation: In Q4 LanguageWire made a transformational step change with the acquisition of Belgium-based Xplanation. Together, the two entities form a new powerhouse in the content industry, delivering not only the most innovative technology setup, but also the ability to service global brands from offices all around the world.

Technology and innovation

LanguageWire invests significantly in software development and technology. With more than 50 full-time equivalent (FTE) employees allocated to software development, we are determined to set a new innovative agenda. Our focus areas are workflow automation, machine translation (MT), artificial intelligence (AI) and content connectivity tools.

During 2018, the Group welcomed Mr. Roeland Hofkens as Chief Product and Technology Officer (CTPO) and throughout the year, we upgraded product management methodology and strategy.

LanguageWire is operating in a market currently enjoying growth due to an increased demand for multilingual content.

In addition, the Group has made significant investments in the past years building a scalable platform for growth and expansion into new markets.

Outlook

We welcome 2019 with expectations for continuous increase in sales, gross profit and financial results across all our regions. We estimate consolidated revenue to increase in the range 5-15%.

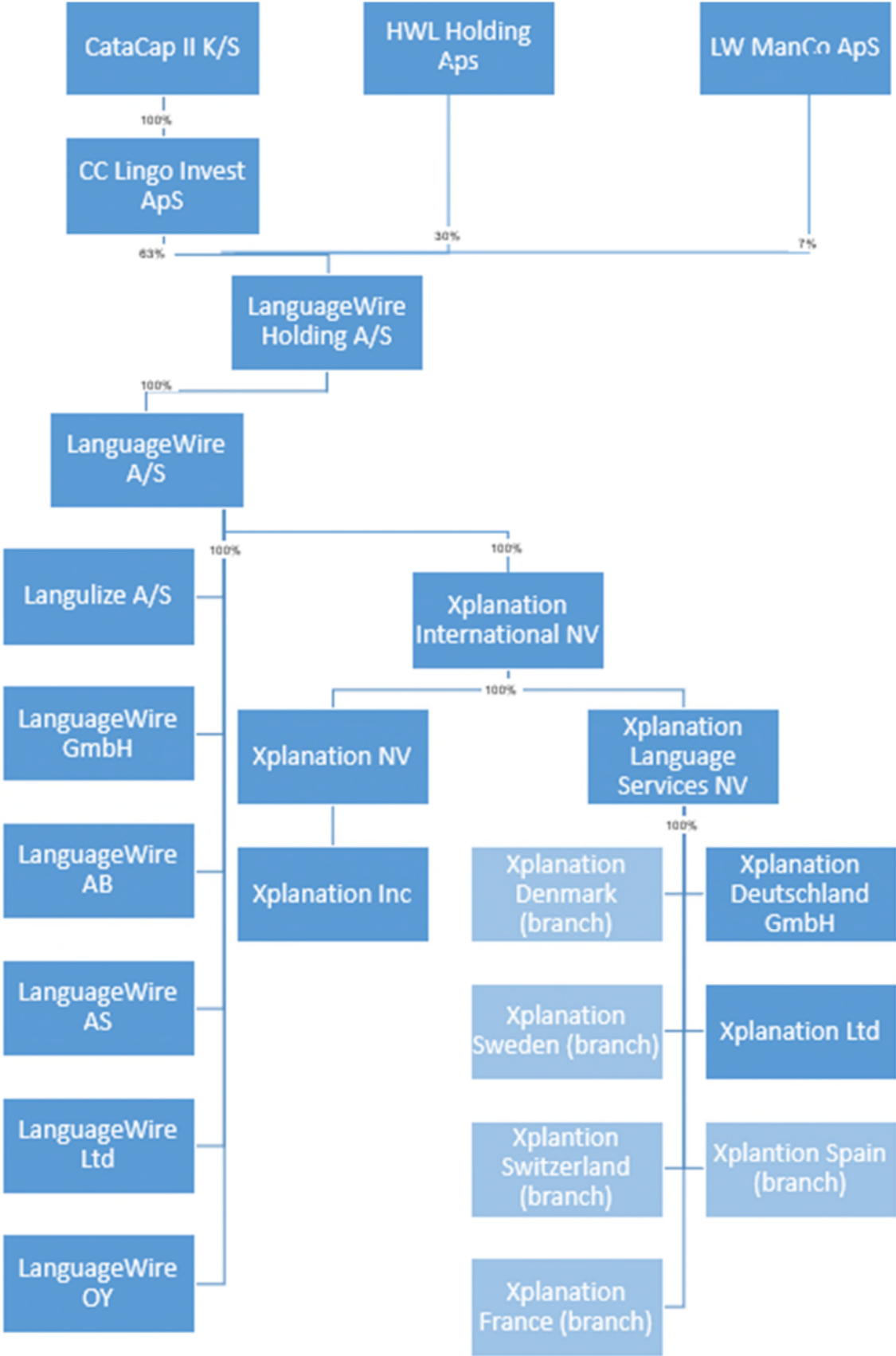
Group structure

LanguageWire is 63% owned by the Private Equity Fund, CataCap II, 30% is owned by former majority owner HWL Holding ApS and 7% is owned by group management.

CataCap is a member of Danish Venture Capital and Private Equity Association (DVCA). The company and the Group behind it will strive to fulfil the guidelines issues by DVCA, even if at present the Group does not qualify as a large class C company. More information about DVCA is found on <http://dvca.dk>.

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

Group commentary



Group commentary

Country overview

LanguageWire operates with 19 offices in the U.S, Belgium, France, UK, Germany, Denmark, Sweden, Switzerland, China, Norway, Spain, Ukraine and Poland.

Denmark

LanguageWire was established in 2000 in Copenhagen. We have offices in Copenhagen (Sjælland) and Århus (Jylland) with a total of 57 FTEs and are considered a market leader.

Nordics

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

The Nordic region has 38 FTEs and is considered market leader.

Germany

LanguageWire was established in Germany in 2002 and has offices in Hamburg and Munich.

The DACH region has a total of 86 FTEs and enjoys a top three position in this market.

UK

LanguageWire was established in London in 2011 and this is newest region in the Group.

The region operates out of new offices in Bermondsey with 21 FTEs.

Benelux

Belgium and Dutch customers are handled by our office in Leuven, which has 37 FTEs and enjoys a top three position in this region.

The Groups's Global Excellence Division is also managed out of this office.

Switzerland

Switzerland is managed out of Zurich with 5 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.

Spain

A shared service centre is managed out of Valencia with a total of 55 FTEs.

Ukraine

A development centre in Kiev, Ukraine was established in 2004 and has 36 FTEs performing technology development and IT support for the group.

Poland

A development centre in Gdansk, Poland was established in 2016 with 16 FTEs developing, implementing and supporting LanguageWire connectors.

Group commentary

Voluntary Corporate Social Responsibility (CSR)

For us, CSR is about making a difference. Our 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 negatively impacting 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.

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.

We support initiatives that promote a social and fun 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.

Our customers

Our mission to provide a superior service to 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 laws and regulations in the countries where we operate. For example, we do not accept any form of bribery, including gifts, hospitality or entertainment, that could raise concerns about our integrity.

Our surroundings

As a company, we care 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% 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 mentor 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 microenterprises.

Group commentary

Anti-corruption

The Group recognises the need 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.

Environmental performance

The group has assessed that its activities do not have a negative impact on the environment.

Management

The chief executive officer (CEO) is Mr. Henrik Wilsbech Lottrup. He indirectly owns 30% of LanguageWire Holding A/S. He is also CEO of LanguageWire A/S, LanguageWire Ltd. and LanguageWire GmbH.

Additionally, he is CEO of HWL Holding ApS.

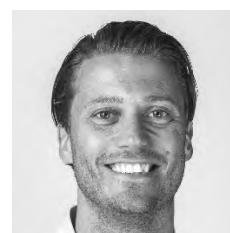
The composition of the Board is as follows:



Mr. Jens Albert Harsaae,
Chairman



Mr. Rasmus Philip Buhl Lokvig, Deputy Chairman



Mr. Henrik Wilsbech Lottrup



Mr. Jens Jørgen Hahn-Petersen



Mr. Gert Sylvestsen



Mr. Carsten Nygaard Knudsen



Mr. Jørgen Vilhelm Løvenørn Bardenfleth

Group commentary

The Board members hold the following positions:

Except for Mr. Jens Jørgen Hahn-Petersen, who became member of the Board in May 2017, all others have been members since July 2017 when CataCap took over control of ownership. The board holds directly and indirectly 30.89% of the shares in LanguageWire Holding A/S.

Chairman Jens Albert Harsaae

Chairman	Deputy Chairman	Board member / CEO
PLUS PACK A/S	CO-RO HOLDING A/S	RAKAAS APS
C. HOLDCO A/S	CO-RO A/S	CONSCIA HOLDING A/S
PETER JUSTESEN COMPANY A/S	ABACUS MEDICINE A/S	AX IV CON II APS
LANGUAGEWIRE A/S		AX IV CON I APS
LANGUAGEWIRE HOLDING A/S		HYPEFACTORS A/S

Deputy Chairman Rasmus Lokvig Director at CataCap Management

Chairman	Deputy Chairman	Board member / CEO
	LYNGSOE SYSTEMS HOLDING A/S	CATACAP MANAGEMENT A/S
	LYNGSOE SYSTEMS A/S	CATACAP GENERAL PARTNER II APS
	SKYBRANDS HOLDING A/S	CC SKY INVEST APS
	LANGUAGEWIRE HOLDING A/S	SKYBRANDS A/S
	LANGUAGEWIRE A/S	REKOM GROUP A/S
		CC FLY HOLDING I APS
		CC FLY HOLDING II A/S

Board member Jens Jørgen Hahn-Petersen, Partner at CataCap.

Chairman	Deputy Chairman	Board member / CEO
CC ORANGE INVEST ApS	HB-CARE HOLDING A/S	CATACAP MANAGEMENT A/S
CC TRACK INVEST ApS	HB CARE A/S	CC GREEN WALL INVEST APS
CC EXPLORER INVEST ApS	HB-CARE LEASING APS	CC LINGO INVEST APS

Group commentary

CC SKY INVEST ApS

SKYBRANDS A/S

LANGUAGEWIRE HOLD-
ING A/S

CC TOOL INVEST ApS

LANGUAGEWIRE A/S

CC OSCAR INVEST ApS

PROSPERITAS APS

CATACAP OP APS

CATACAP DM APS

CATACAP DM II APS

CC II MANAGEMENT IN-

VEST 2017 GP APS

CATACAP GENERAL

PARTNER I APS

CASA MANCO APS

CC FLY INVEST APS

REKOM MANCO APS

CATACAP GENERAL

PARTNER II APS

**Board member Henrik Wils-
bech Lottrup**, CEO of Lan-
guageWire

Chairman

LANGULIZE A/S
FRONTLAB DK APS

Deputy Chairman

HWL HOLDING ApS

HWL HOLDING APS
ELWIS A/S
LANGUAGEWIRE A/S
LANGUAGEWIRE HOLDING A/S
STYKKA APS
LEAPWORK A/S

Board member Gert Sylvest

Chairman

Deputy Chairman

LANGUAGEWIRE A/S

LANGUAGEWIRE A/S
LANGUAGEWIRE HOLDING A/S
ETHERWARE APS
TRADESHIFT APS

**Board member Jørgen Veil-
helm Løvenørn Bardenfleth.**

Chairman

SYMBION A/S
LYNGSOE SYSTEMS A/S
LYNGSOE SYSTEMS HOLDING
A/S
DUBEX A/S
SCANDION ONCOLOGY A/S

Deputy Chairman

SYMBION FONDEN

Board member / CEO

EG A/S
EG HOLDING IIII A/S
ACCELERACE MANAGEMENT A/S

VALCON A/S
VALLØSTIFT

Group commentary

COPENHAGEN CAPACITY
 LANGUAGEWIRE A/S
 LANGUAGEWIRE HOLDING A/S
 BIZBRAINS A/S
 MINERVA A/S
 AXCEL AX IV
 JATANA APS

Carsten Nygaard Knudsen

Chairman

G.S.V HOLDING A/S
 G.S.V MATERIELUDLEJNING A/S
 BLACK TOPCO APS
 GLUNZ & JENSEN A/S
 SELANDIA PARK A/S
 GLUNZ & JENSEN HOLDING A/S
 TRESU INVESTMENT HOLDING
 A/S
 TRESU GROUP HOLDING A/S
 TRESU A/S
 DANE TOPCO APS

Deputy Chairman

Board member / CEO

LYNGSOE SYSTEMS HOLDING A/S
 LYNGSOE SYSTEMS A/S
 SØGAARDEN-SJÆLSØ APS
 LANGUAGEWIRE A/S
 LANGUAGEWIRE HOLDING A/S
 STIBO-FONDEN
 STIBO EJENDOMME A/S
 STIBO HOLDING

Group commentary

Corporate governance

Our Board and executive management constantly monitor the management structure and control systems of the Company and the Group to secure that they are appropriate and well-functioning.

The tasks of the management are based on the Danish Companies Act (Selskabsloven), the Danish Financial Statements Act (Aarsregnskabsloven), the articles of association and the rules of procedure of the Board including guidelines for executive management. Further, the Group and the Company are, due to their status as a company partly owned by a Private Equity Fund, also subject to DVCA's code for responsible ownership and good corporate management. Based on this, a set of internal procedures have been developed and are continuously updated to secure active, safe and profitable governance.

The Company is 63% owned by the Private Equity Fund, CataCap II, whereas 30% is owned by former majority owner HWL Holding ApS and 7% by the group management. As majority shareholder, CataCap has dominant influence on the Company and the Group.

Governance practise

The Board assures 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. Furthermore, the lead bank of the Company and the Group is informed monthly and in at least one annual meeting. The Board considers that this, along with the internal procedures, provides for an adequate and effective risk management and appropriate internal controls.

Board meetings follow a fixed schedule with at least five annual meetings, one of which regards strategy where vision, goals and strategic plan are defined.

The chairmanship, which consist of the Chairman and the Deputy Chairman of the Board, has a close and continuous dialogue with the daily management of the Company.

In order to attract and retain managerial talents and competence in the Group, the remuneration of the executive management and other managing staff is determined according to tasks, value creation and conditions in comparable companies and has an element of performance-related fee.

Considering the size and complexity of the Group and the close dialogue between owners, Board, chairmanship and executive management, the Board has decided currently not to appoint an audit committee and no internal audit department has been established.

The group and its subsidiaries are closely monitored by group finance who also, largely handles financial management of subsidiaries and assures an appropriate degree of separation of functions.

Group commentary

Risk management

Particular Risks

The Company, Board and executive management have a continuing dialogue about important circumstances in the Company and the Group, one element being risks with a potentially large influence on the Company. 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 Company and the Group is still the ability to consistently and continuously deliver good service and produce high quality at competitive prices in the served markets. Partnerships are an integral part in accessing our customers and markets, and we strive to nurture these relations. Our high-end technologically capabilities provides assurance for our competitiveness, and we continuously monitor new technologies to maintain a state-of-the art value offering for our customers,

Product Risk

The main product of the Company is translation and related services, and the human element is the biggest risk. To control the risk the Company in 2016 implemented the ISO 17100 (Translation Services) standard, providing the highest quality assurance in the industry.

Credit Risk

The Company's credit risks relate to trade receivables included in the balance sheet. The Company has a long track record of little or no loss on trade receivables in the past, and only few overdue invoices from time to time, and 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 is paramount and we continuously ensure policies and practises provides assurance for this. In 2018 we unrolled the ISO 27001 (Information Security) and expect to be certified during H1 2019.

Sourcing Risk

The core resource for the Company is the network of freelance translators and other experts. The market for freelance suppliers is huge and the sourcing risk is deemed low, however it is important to nurture the translator 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 Company and the Group is in accordance with our overall targets and supports long-term sustainable economic growth.

The Company is financed through its own capital with a solvency of over 31% at group level, as well as 5 year acquisition loans, overdraft facility, supplier credit, etc. Duration and interest risk are evaluated as appropriate for the Company and the Group. At the balance sheet date, net interest-bearing debt was DKK 208,8 million, which is deemed to be an appropriate level in relation to the total balance (capital structure).

Group commentary

Foreign exchange and credit risks relating to commercial activities are either hedged or considered to be at an appropriately low level. Speculative foreign exchange positions are not concluded. The Company's activities are primarily carried out in Western Europe, with EUR (incl DKK) as the main currency followed by SEK and GBP.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.

Consolidated income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue		273.377	104.186
Other operating income		2.314	778
Cost of sales		(122.578)	(47.595)
Other external expenses		(49.306)	(12.708)
Gross profit/loss		103.807	44.661
Staff costs	1	(78.974)	(32.058)
Depreciation, amortisation and impairment losses	2	(37.165)	(6.722)
Operating profit/loss		(12.332)	5.881
Other financial income		1.958	1.254
Other financial expenses		(8.622)	(2.764)
Profit/loss before tax		(18.996)	4.371
Tax on profit/loss for the year	3	200	(1.888)
Profit/loss for the year	4	(18.796)	2.483

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Completed development projects		17.215	16.949
Acquired intangible assets		207.172	77.972
Goodwill		208.324	96.650
Development projects in progress		658	0
Intangible assets	5	433.369	191.571
Other fixtures and fittings, tools and equipment		4.305	878
Property, plant and equipment	6	4.305	878
Deposits		1.126	364
Fixed asset investments	7	1.126	364
Fixed assets		438.800	192.813
Trade receivables		80.568	37.791
Contract work in progress		4.596	3.425
Receivables from associates		0	754
Deferred tax	8, 10	7.036	0
Other receivables		2.748	4.497
Income tax receivable		268	0
Prepayments	9	2.566	359
Receivables		97.782	46.826
Cash		27.701	383
Current assets		125.483	47.209
Assets		564.283	240.022

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		1.784	1.072
Retained earnings		173.836	110.481
Equity		175.620	111.553
Deferred tax	8, 10	59.432	2.997
Provisions		59.432	2.997
Bank loans		223.521	46.600
Payables to shareholders and management		0	11.064
Other payables		0	11.064
Non-current liabilities other than provisions	11	223.521	68.728
Current portion of long-term liabilities other than provisions	11	13.000	27.851
Prepayments received from customers		14.396	6.390
Trade payables		39.618	6.457
Payables to group enterprises		184	113
Payables to shareholders and management		563	0
Income tax payable		2.421	2.451
Other payables		35.528	13.482
Current liabilities other than provisions		105.710	56.744
Liabilities other than provisions		329.231	125.472
Equity and liabilities		564.283	240.022
Financial instruments	13		
Unrecognised rental and lease commitments	14		
Assets charged and collateral	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.072	110.480	111.552
Effect of mergers and business combinations	0	1.240	1.240
Increase of capital	712	81.217	81.929
Exchange rate adjustments	0	(305)	(305)
Profit/loss for the year	0	(18.796)	(18.796)
Equity end of year	1.784	173.836	175.620

Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Operating profit/loss		(12.332)	5.877
Amortisation, depreciation and impairment losses		37.165	6.717
Working capital changes	12	(13.857)	(5.493)
Cash flow from ordinary operating activities		10.976	7.101
Financial income received		1.958	1.255
Financial expenses paid		(9.701)	(2.288)
Income taxes refunded/(paid)		(2.091)	907
Cash flows from operating activities		1.142	6.975
Acquisition etc of intangible assets		(7.886)	(2.308)
Acquisition etc of property, plant and equipment		0	(58)
Sale of property, plant and equipment		0	6
Acquisition of fixed asset investments		(87)	(364)
Acquisition of enterprises		(192.406)	(198.420)
Repayments received		4.054	0
Cash flows from investing activities		(196.325)	(201.144)
Loans raised		237.154	85.720
Repayments of loans etc		(96.581)	0
Cash increase of capital		81.928	108.832
Cash flows from financing activities		222.501	194.552
Increase/decrease in cash and cash equivalents		27.318	383
Cash and cash equivalents beginning of year		383	0
Cash and cash equivalents end of year		27.701	383

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Staff costs		
Wages and salaries	67.044	23.575
Pension costs	3.119	7.156
Other social security costs	8.595	426
Other staff costs	216	901
	78.974	32.058
Average number of employees	150	112
	Remunera- tion of manage- ment 2018 DKK'000	Remunera- tion of manage- ment 2017 DKK'000
Total amount for management categories	2.182	1.213
	2.182	1.213
	2018 DKK'000	2017 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	36.707	6.573
Depreciation of property, plant and equipment	458	149
	37.165	6.722
	2018 DKK'000	2017 DKK'000
3. Tax on profit/loss for the year		
Current tax	1.859	1.810
Change in deferred tax	(1.792)	78
Adjustment concerning previous years	(267)	0
	(200)	1.888
	2018 DKK'000	2017 DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	(18.796)	2.483
	(18.796)	2.483

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
5. Intangible assets				
Cost beginning of year	19.044	79.971	99.129	0
Addition through business combinations etc	0	143.872	128.815	0
Transfers	5.737	0	0	(5.737)
Additions	0	0	0	6.395
Disposals	(578)	0	0	0
Cost end of year	24.203	223.843	227.944	658
Amortisation and impairment losses beginning of year	(2.095)	(1.999)	(2.478)	0
Amortisation for the year	(4.893)	(14.672)	(17.142)	0
Amortisation and impairment losses end of year	(6.988)	(16.671)	(19.620)	0
Carrying amount end of year	17.215	207.172	208.324	658

Development projects

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

- 1) The LanguageWire platform
- 2) Customer Integration Products
- 3) Other projects

Five new projects were added in 2018. Three new products under the LanguageWire platform and two new Connectors under the category Customer Integration Products.

A Live Translation module was finished and implemented towards all customers and translators using the platform, enabling customers to order small text pieces with up to 100 words in 30 minutes. Our translators benefit from the solution by saving time to handle small jobs.

The Message Conversation module were developed during 2018 and will be implemented in the beginning of 2019. The module will enhance the communication between all involved stakeholders, and increase both efficiency and quality.

The last implemented project in the LanguageWire platform is a bundle of functionality for both customers and translators. Some of the key elements are GDPR functionality, Customer Dashboard and services for enable the use of Machine Translation.

A connector Plugin for ClayTablet were developed in 2018, and will be implemented in the beginning of 2019.

The connector to a PIM system was developed together with a partner during 2017 and was finalized and implemented during 2018, enabling integration through InRiver Web Browser.

Notes to consolidated financial statements

The projects are progressing as planned using the resources Management has assigned to this development. The software is marketed in existing markets for the company's existing customers as well as for new customers and new markets.

Prior to launching the projects, the company has examined with customers and partners the need for these solutions.

Acquired intangible assets consist of customer relations and software. The Amortisation period is 10 years for customer relations and 5-7 year for software.

	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment	
Cost beginning of year	1.022
Addition through business combinations etc	1.816
Additions	2.069
Cost end of year	4.907
Depreciation and impairment losses beginning of year	(144)
Depreciation for the year	(458)
Depreciation and impairment losses end of year	(602)
Carrying amount end of year	4.305
	Deposits DKK'000
7. Fixed asset investments	
Cost beginning of year	364
Addition through business combinations etc	123
Additions	639
Cost end of year	1.126
Carrying amount end of year	1.126

8. Deferred tax

Deferred tax assets is tax losses recognized due to its expected use in the group. The groups budget confirms the expectation.

9. Prepayments

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

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
10. Deferred tax		
Intangible assets	61.603	3.206
Property, plant and equipment	12	(45)
Receivables	91	0
Liabilities other than provisions	(37)	0
Tax losses carried forward	(2.237)	0
Other taxable temporary differences	(7.036)	(164)
	52.396	2.997

Changes during the year

Beginning of year	2.997
Recognised in the income statement	(1.792)
Addition through business combinations etc.	51.191
End of year	52.396

	Due within 12 months 2018 DKK'000	Due within 12 months 2017 DKK'000	Due after more than 12 months 2018 DKK'000
11. Liabilities other than provisions			
Bank loans	13.000	15.000	223.521
Payables to shareholders and management	0	7.730	0
Other payables	0	5.121	0
	13.000	27.851	223.521

	2018 DKK'000	2017 DKK'000
12. Change in working capital		
Increase/decrease in receivables	(9.025)	(11.774)
Increase/decrease in trade payables etc	(5.249)	6.026
Other changes	417	255
	(13.857)	(5.493)

13. Financial instruments

The group has entered into a hedging arrangement on DKK against USD. The contracts has an exposure of USD 400.000 and the duration of the contracts runs between 31.01.2019 and 30.04.2019. The instruments are recognized to other payables and amounts to DKK 6.251.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	20.190	7.979

15. Assets charged and collateral

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

The Company has provided guarantee of payments for all amounts owed to Nordea Bank by the Group.

16. Transactions with related parties

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.

	Registered in	Corpo- rate form	Equity inte- rest %
17. Subsidiaries			
LanguageWire AB	Göteborg, Sweden	AB	100,0
LanguageWire GmbH	Hamburg, Germany	GmbH	100,0
LanguageWire Ltd.	Oslo, Norway	AS	100,0
LanguageWire Oy	London, United Kingdom	Ltd.	100,0
Langulize A/S	Copenhagen, Denmark	A/S	100,0
Frontlab DK ApS	Copenhagen, Denmark	ApS	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

Parent income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Other external expenses		(226)	0
Operating profit/loss		(226)	0
Income from investments in group enterprises		(15.898)	3.229
Other financial income		12	0
Other financial expenses		(3.501)	(956)
Profit/loss before tax		(19.613)	2.273
Tax on profit/loss for the year	2	817	210
Profit/loss for the year	3	(18.796)	2.483

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Investments in group enterprises		178.922	201.886
Fixed asset investments	4	<u>178.922</u>	<u>201.886</u>
Fixed assets		<u>178.922</u>	<u>201.886</u>
Receivables from group enterprises		5.250	3.220
Deferred tax	5	817	0
Other receivables		0	3.300
Income tax receivable		0	210
Receivables		<u>6.067</u>	<u>6.730</u>
Cash		<u>3</u>	<u>103</u>
Current assets		<u>6.070</u>	<u>6.833</u>
Assets		<u>184.992</u>	<u>208.719</u>

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		1.784	1.072
Reserve for net revaluation according to the equity method		0	8.114
Retained earnings		173.836	102.367
Equity		175.620	111.553
Bank loans		8.249	46.600
Payables to shareholders and management		0	11.064
Other payables		0	11.065
Non-current liabilities other than provisions		8.249	68.729
Current portion of long-term liabilities other than provisions		0	27.852
Payables to group enterprises		184	114
Income tax payable		939	0
Other payables		0	471
Current liabilities other than provisions		1.123	28.437
Liabilities other than provisions		9.372	97.166
Equity and liabilities		184.992	208.719
Staff costs	1		
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		
Transactions with related parties	9		

Parent statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1.072	8.114	102.367	111.553
Increase of capital	712	0	81.217	81.929
Exchange rate adjustments	0	(306)	0	(306)
Other entries on equity	0	1.240	0	1.240
Transfer for coverage of losses	0	6.850	(6.850)	0
Profit/loss for the year	0	(15.898)	(2.898)	(18.796)
Equity end of year	1.784	0	173.836	175.620

Notes to parent financial statements

	<u>2018</u>	<u>2017</u>
1. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>
	<u>2018</u>	<u>2017</u>
	<u>DKK'000</u>	<u>DKK'000</u>
2. Tax on profit/loss for the year		
Current tax	0	(210)
Change in deferred tax	(817)	0
	<u>(817)</u>	<u>(210)</u>
	<u>2018</u>	<u>2017</u>
	<u>DKK'000</u>	<u>DKK'000</u>
3. Proposed distribution of profit/loss		
Retained earnings	(18.796)	2.483
	<u>(18.796)</u>	<u>2.483</u>
		Invest-
		ments in
		group
		enterprises
		DKK'000
4. Fixed asset investments		
Cost beginning of year		198.419
Cost end of year		<u>198.419</u>
Revaluations beginning of year		3.467
Exchange rate adjustments		(306)
Amortisation of goodwill		(22.699)
Share of profit/loss for the year		6.801
Dividend		(8.000)
Other adjustments		1.240
Revaluations end of year		<u>(19.497)</u>
Carrying amount end of year		<u>178.922</u>

Notes to parent financial statements

	2018 DKK'000
5. Deferred tax	
Tax losses carried forward	817
	817
Changes during the year	
Recognised in the income statement	817
End of year	817

Deferred tax assets is tax losses recognized due to its expected use in the group. The groups budget confirms the expectation.

6. 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 1 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.

7. Assets charged and collateral

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

The Company has provided guarantee of payments for all amounts owed to Nordea Bank by the Group.

8. Related parties with controlling interest

The following shareholders holds a significant influence on the company:

CC Lingo Invest ApS, Denmark

HWL Holding ApS, Denmark

9. Transactions with related parties

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).

Company financial statements are presented in DKK.

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.

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

Consolidated financial statements

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.

Accounting policies

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 purchase 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 statements 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 beginning 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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered 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.

Accounting policies

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 discounts 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.

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

Accounting policies

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. 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 10 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 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.

Accounting policies

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.

Investments in group enterprises

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

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

Accounting policies

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.

Prepayments

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

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.

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.

Income tax receivable or payable

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

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.

Accounting policies

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.