languagewire

Languagewire Holding A/S

Nitivej 10, 1., DK-2000 Frederiksberg

Annual Report for 1 January - 31 December 2020

CVR No 38 60 89 24

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 18/3 2021

Søren Bech Justesen
Chairman of the General Meeting

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Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Languagewire Holding A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

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

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

Frederiksberg, 23 February 2021

Executive Board

Søren Bech Justesen

Board of Directors

Jens Albert Harsaae Chairman	Rasmus Philip Buhl Lokvig Deputy Chairman	Kirsten Maria Haitz
Jens Jørgen Hahn-Petersen	Carsten Nygaard Knudsen	Henrik Wilsbech Lottrup
Gert Sylvest	Merete Søby	

Independent Auditor's Report

To the Shareholders of Languagewire Holding A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Languagewire Holding A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the addtional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on Management's Review
Management is responsible for Management's Review.

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

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

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

Independent Auditor's Report

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Independent Auditor’s Report

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

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

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

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

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

Hellerup, 23 February 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Baunkjær Andersen statsautoriseret revisor mne35483	Mads Haugegaard Albrechtsen statsautoriseret revisor mne45846

Company Information

The Company	Languagewire Holding A/S Nitivej 10, 1. DK-2000 Frederiksberg
	CVR No: 38 60 89 24 Financial period: 1 January - 31 December Incorporated: 28 April 2017 Financial year: 4th financial year Municipality of reg. office: Frederiksberg
Board of Directors	Jens Albert Harsaae , Chairman Rasmus Philip Buhl Lokvig , Deputy Chairman Kirsten Maria Haitz Jens Jørgen Hahn-Petersen Carsten Nygaard Knudsen Henrik Wilsbech Lottrup Gert Sylvest Merete Søby
Executive Board	Søren Bech Justesen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	Group			
	2020	2019	2018	2017
	TDKK	TDKK	TDKK	TDKK
Key figures				
Profit/loss				
Revenue	432.738	419.600	273.377	104.186
Gross profit/loss	196.071	168.458	103.807	44.661
Operating profit/loss	9.675	-11.554	-12.332	5.881
Net financials	-16.975	-14.634	-6.664	-1.510
Net profit/loss for the year	-12.024	-24.043	-18.796	2.483
EBITDA	59.278	32.482	24.830	12.599
Normalized EBITDA	75.390	56.060	35.795	14.842
Net interest bearing debt	209.791	223.510	208.820	61.216
Balance sheet				
Balance sheet total	504.436	521.078	564.283	240.022
Investment in property, plant and equipment	717	796	3.885	1.027
Equity	140.674	153.112	175.620	111.553
Number of employees	253	266	150	112
Cash flows				
Cash flows from:				
Ratios				
Gross margin	45,3%	40,1%	38,0%	42,9%
Net margin	-2,8%	-5,7%	-6,9%	2,4%
Return on equity	-8,2%	-14,6%	-13,1%	2,2%
Equity ratio	27,3%	29,4%	31,1%	46,5%
EBITDA normalized margin	17,4%	13,4%	13,1%	14,2%

Management's Review

Primary activities and business model

LanguageWire is one of the world's top Language Service Providers (LSPs), helping enterprises engage and communicate with any audience across the globe.

Since its founding in 2000, LanguageWire has pursued its vision of making global communications smarter and more efficient by providing access to the necessary people and technology. This vision continues to drive LanguageWire's growth in the market.

LanguageWire offers a language management ecosystem which combines bespoke AI technology and human expertise to deliver translations, editing, desktop publishing, and other multilingual communication services with ease and efficiency. Adapting solutions to client needs, LanguageWire integrates with client-specific tech stacks, streamlines and automates workflows, and ensures all data is protected thoroughly in a secure infrastructure.

With 15 offices across three continents, over 330 employees, and a network of more than 7,000 industry-specific language experts, LanguageWire is committed to the worldwide success of its clients. LanguageWire serves more than 3,000 clients and has achieved notable recognition in the B2B domain as one of the top-25 LSPs in the world.

LanguageWire has earned its reputation as a trusted partner for many global enterprises by delivering solutions according to best practice security processes, and incorporating an industry-leading, private cloud infrastructure which protects their interests. As such, LanguageWire's solutions are delivered according to ISO 9001, ISO 17100, ISO 27001 and ISO 18587 for Post Editing Machine Translation (PEMT).

The Group operates in a highly fragmented market with a size ranging from USD 24-57 billion depending on the definition.

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

Development in the year

2020 was a satisfactory year for LanguageWire. The Covid-19 pandemic with subsequent lock-down of societies around the world affected LanguageWire significantly in second and third quarter of 2020. This was mitigated by the 'born digital' business model of LanguageWire and the high customer diversification to which LanguageWire performs business critical services. A strong finish beginning from the end of the third quarter of 2020 resulted in overall positive revenue and earnings growth.

Management's Review

Key highlights in 2020 were:

- The planned transition from the founder of LanguageWire Henrik Wilsbech Lottrup as Chief Executive Officer (CEO) to former Chief Financial Officer (CFO) Søren Bech Justesen. Henrik continues to be a trusted advisor and non-executive Board member of LanguageWire.

- LanguageWire welcomed Klaus Hosbond Skovrup as the new CFO.

- Participation in government relief packages (postponement of VAT, other taxes and Kurzarbeit in Germany) where feasible which adversely will impact cash flow in 2021.

- On-boarded more than 30 new customers in LanguageWire's Best Fit Customer (BFC) segment.

- Achieved a Net Promoter Score (NPS) of above 50 based on more than 1,200 responses from customers. NPS measures the how likely it is that customers will recommend LanguageWire to a friend or colleague. Any score above 0 is good, above 20 is favourable and above 50 is excellent.

- The company introduced a new commercial organisation which is aligned to the 'Customer Success' framework. I.e. in 2021, the organization will cater to the customer journey and secure that new features, services and products are well introduced and implemented for customers.

- LanguageWire completed the migration of customers into the LanguageWire platform from other acquired platforms with less than a handful of customers remaining on legacy platforms.

- LanguageWire continued to invest significantly in software development and technology. During 2020, machine translation was rolled out, which further automated content workflows for customers, language experts and the company. Additionally, the beta version of LanguageWire Translate was launched which is a Software as a Service (SaaS) translation tool, which also will optimise customers' own content creation workflows in a secure environment

- LanguageWire also increased investments in security and quality, deeply imbedded in the company's DNA and processes. In 2020 the company obtained the ISO 27001 certification and ISO 18587 for Post Editing Machine Translation (PEMT) - something only a handful of peers in the language industry have achieved. This come on top of our existing ISO certifications; ISO 17100 and ISO 9001.

- LanguageWire's strategy was assessed and an updated ambition towards 2025 was established.

- The company continued stream-lining the legal structure by merging its two Swedish, two German and two UK subsidiaries into one legal entity in each country.

Looking towards 2021, LanguageWire is well-positioned to continue its growth based on its industry-leading platform and tech offerings. Both the platform and the organisation have been fine-tuned for the next part of the journey, and management expects growth in both new and existing markets.

Management's Review

Financial performance

In 2020 revenue increased by 3.1% to DKK 433 million driven by German and Nordic customers. This was despite the Covid-19 pandemic and subsequent lock-down of societies around the world which especially affected LanguageWire significantly in second and third quarter. The gross profit increased to DKK 196 million (2019: DKK 168 million) in 2020 and EBITDA before adjustment of one-off items increased to DKK 59 million (2019: DKK 32 million), whereas EBITDA after adjustments reached DKK 75 million (2019: DKK 56 million). Adjustments relate primarily to one-off items of DKK 16 million regarding integration costs in connection with previous acquisitions. The significant increase in EBITDA was driven by realizing synergies from earlier acquisitions, increased roll-out of machine translation and general cost cautiousness.

2020 did not meet the revenue expectations set forth at the beginning of 2020 due to the Covid-19 pandemic, while the EBITDA was met by general cost-cautiousness and further leveraging of technology. Management consider the results for 2020 to be satisfactory and the performance would not have been possible without the strong commitment and loyalty from employees, customers and vendors, and industry-leading technology.

Outlook

In 2021, LanguageWire expects growth in revenue and EBITDA in the range of 5-15 % despite uncertainty in the markets LanguageWire operates in due to the Covid-19 pandemic. The guidance is based on a number of important assumptions, including that business performance, client and competitor behaviour will remain normal.

Corporate governance

By virtue of its private equity ownership, LanguageWire 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.

The organisation of LanguageWire's management is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act and the company's articles of association. LanguageWire 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 non-executive 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.

Board meetings follow a fixed schedule with at least five annual meetings. At one of the meetings the strategy including objectives, goals, strategies and measures are defined.

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

Management's Review

The board of directors and executive management

The CEO is Søren Bech Justesen

The composition of the Board is as follows:

Jens Albert Harsaae, Chairman

Rasmus Philip Buhl Lokvig, Deputy Chairman

Henrik Wilsbech Lottrup

Jens Jørgen Hahn-Petersen

Gert Sylvest

Carsten Nygaard Knudsen

Merete Søby

Kirsten Haitz

Management's Review

The board of directors and executive management

The board members hold the following positions:

Chairman, Jens Albert Harsaae

Chairman	***Deputy Chairman***	***Board member/CEO***
LanguageWire Holding A/S	CO-RO HOLDING A/S	ABACUS MEDICINE A/S
LanguageWire A/S	CO-RO A/S	RAKAAS ApS
PLUS PACK A/S		
INTERNET INTELLIGENCE HOUSE NORDIC A/S		
DANAWEB INTERNATIONAL A/S		
Optimeo A/S		
CC Globe Holding I ApS		
CC Globe Holding II A/S		
Group Online A/S		
Plico A/S		
JumpStory ApS		

Deputy Chairman, Rasmus Lokvig, Partner 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 I ApS
	LanguageWire Holding A/S	CataCap General Partner II ApS
	LanguageWire A/S	CC II Management Invest 2017 GP ApS
	CC Globe Holding I ApS	CC SKY Invest ApS
	CC Globe Holding II A/S	LW ManCo ApS
	Optimeo A/S	CC Fly Invest ApS
	Group Online A/S	CC Fly Holding I ApS
	DANAWEB A/S	CC Fly Holding II A/S
	DANAWEB INTERNATIONAL A/S	CC Mist NEW Holding II ApS
	Plico A/S	CC Mist NEW Holding ApS
		Rekom ManCo ApS
		Rekom Group A/S
		CC Globe Invest ApS
		CC Globe ManCo ApS
		CC Toaster Invest ApS
		MINGT4 RL ApS

Management’s Review

The board of directors and executive management

The board members hold the following positions:

Board member Jens Jørgen Hahn-Petersen, Partner at CataCap

Chairman	***Deputy Chairman***	***Board member/CEO***
CC SKY Invest ApS	SkyBrands Holding A/S	LanguageWire A/S
CC EXPLORER INVEST ApS	SKYBRANDS A/S	LanguageWire Holding A/S
CC Oscar Invest ApS	HB-Care Holding A/S	CC Lingo Invest ApS
CC TOOL INVEST ApS	HB-CARE A/S	CC Globe Holding I ApS
CC TRACK INVEST ApS	HB-Care Leasing ApS	CC Globe Holding II A/S
	HB-Care Leasing 1 ApS	CC Globe Invest ApS
	HB-Care Leasing 2 ApS	DANAWEB INTERNATIONAL A/S
	HB-Care Leasing 3 ApS	Optimeo A/S
		Plico A/S
		CC Green Wall Invest ApS
		PROSPERITAS ApS
		CATACAP MANAGEMENT A/S
		CataCap General Partner I ApS
		CataCap General Partner II ApS
		CataCap DM II ApS
		CataCap DM ApS
		CataCap OP ApS
		CC II Management Invest 2017
		Group Online A/S
		LW ManCo ApS
		TPA Green ManCo ApS
		CC Fly Invest ApS
		Rekom ManCo ApS
		CASA ManCo ApS
		A/S Det Dansk-Franske Dampskibsselskabs Understøttelsesfond af 1950

Board member Gert Sylvest

Chairman	***Deputy Chairman***	***Board member/CEO***
		LanguageWire A/S
		LanguageWire Holding A/S
		ETHERWARE APS
		TRADESHIFT APS

Management's Review

The board of directors and executive management

The board members hold the following positions:

Board member Carsten Nygaard Knudsen, Director at Søgaarden Sjælsø ApS

Chairman	***Deputy Chairman***	***Board member/CEO***
Color Pring A/S		LanguageWire Holding A/S
GSV Holding A/S		LanguageWire A/S
GSV Matriel Udlejning A/S		Lyngsoe System Holding A/S
Stibo A/S		Lyngsoe System A/S
Stibo Pring A/S		Stibo Fonden
Stibo Systems A/S		Stibo Holding A/S
Stibo Graphics A/S		Stibo Ejendomme A/S
Stibo Complete A/S		EG A/S
Stibo DX A/S		

Board member Henrik Wilsbech Lottrup

Chairman	***Deputy Chairman***	***Board member/CEO***
Stykka ApS		LanguageWire A/S
Vuffeli ApS		LanguageWire Holding A/S
		Collection Spirits ApS
		Goodwings ApS
		Melcom A/S – Rigtig Kaffe A/S
		Lottrup & Co A/S

Board member Kirsten Haitz

Chairman	***Deputy Chairman***	***Board member/CEO***
		LanguageWire A/S
		LanguageWire HOLDING A/S
		Insight Analytics Consultancy

Board member Merete Søby, EVP at KMD

Chairman	***Deputy Chairman***	***Board member/CEO***
	DHI	LanguageWire A/S
		LanguageWire HOLDING A/S

Management's Review

Key risks

The Company, Board and executive management are in a close dialogue about important elements in the Company and the Group, one being risks with potentially can have large influence on the Company. Below in an overview of the key risks identified as important to LanguageWire including corresponding mitigating measures initiated in the various areas.

As part of the risk identification and risk management process, the company has decided to set up a whistle-blower function which, in addition to the usual control functions, is intended to report on suspected irregularities in the business. The whistle-blower function will be established in 2021.

Market risks

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 content at competitive prices in the served markets. Partnerships are integral in accessing the customers and markets, and LanguageWire strive to nurture these relations. The advanced technological capabilities and continued high level of investments in new technology, provide assurance for competitiveness. Moreover, the company continuously monitor new technologies to maintain a state-of-the art value offerings for customers.

Product risks

The main product of the Company and its subsidiaries is the LanguageWire platform through which customers primarily order translations or content services. The biggest risks are in the human element, as well as the Company's information assets. To manage and mitigate risk, the Company is ISO certified in the ISO 17100 (Translation Services), ISO 9001 (Quality Management System), ISO 27001 (Information Security Management System) and ISO 18587 (Translation services — Post-editing of machine translation output) standards. These certifications will provide the highest level of quality assurance in the industry.

Credit risks

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. A provision for overdue trade receivables is applied based on a mathematical model. The risk is deemed small. However, the aging reports are monitored monthly, and derivations are addressed promptly.

Management's Review

IT risks

As a technology company, IT is the core of all our offerings. High levels of IT security are paramount, and the company continuously ensure that policies and practices provide this among others by following and being certified in the ISO 27001 (Information Security Management System). Further, LanguageWire's platform is placed in a private cloud-based infrastructure. During 2020, a new Director of Information Security & Data Management is hired and LanguageWire signed a Cyber insurance to cover data breaches and, not least, costs of restoring the IT infrastructure in the event of cyber-attacks.

Sourcing risks

A core resource for the Company is the network of more than +7000 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 risks

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

LanguageWire is exposed to exchange rate risks in the countries where LanguageWire has its commercial activities. These are considered to be at an appropriately low level. The majority part of the commercial activities are carried out in Europe, with EUR (incl. DKK) as the main currency followed by SEK, NOK 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.

People risks

The employees at LanguageWire constitute an important asset. Therefore, there is an inherent risk related to attracting, developing and retaining the required talent. LanguageWire has a formalised approach to recruitment of employees, runs monthly engagement surveys and is currently preparing new development programs for teams and leaders. Management assesses the monthly engagement surveys and creates appropriate actions accordingly.

Management’s Review

Corporate Social Responsibility (CSR)

For LanguageWire, the CSR goal is to contribute where a difference can be made, rather than spending time on creating reports and documentation. The approach to CSR reflects the fact that the language industry is a sector not usually associated with biased gender distribution or a negative footprint on the environment or human rights.

In LanguageWire the focus is on efforts in three areas: our people, our customers and our surroundings. For a description of LanguageWire’s business model please visit “Primary activities and business model” in the Management commentary.

Our people

LanguageWire supports all human rights within national laws, as well as international laws. The company is focused on achieving a high job satisfaction and ensures that a healthy and safe working environment, in accordance with current legislation, is provided.

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

LanguageWire supports initiatives that promote a social and enjoyable work environment by allocating money to the employee association, PeopleWire. Additionally, the company provides flexible working conditions and participate in a range of physical activities, such as running, yoga and cycling events. In the offices, 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. This is achieved by fostering a supportive environment in which all individuals can realise their potential. Specifically, the gender distribution within departments is tracked at different levels of the organisation.

LanguageWire’s gender distribution is 57/43 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

Pursuant to section 99 b of the Danish Financial Statements Act, the Board of Directors set its diversity ambition at to have at least two board members of each gender on the Board. As of 31 December, the board consists of eight people of which six are men and two women, thus, the company has fulfilled the ambition. During 2020 two women joined the Board and the Board will continue to work on achieving a balanced mix of both male and female candidates in the recruiting process for the Board.

Management's Review

Other leading positions

As of 31 December, the gender distribution in management positions is 58/42 in favour of men. LanguageWire has an ambition that the share of the underrepresented sex in leadership positions should at least be 30%, which is fulfilled. The company will continue to work on achieving a balanced mix of both male and female candidates in the recruiting process for management positions.

Anti-bribery and corruption

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

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

Targets for 2020	Status	Targets for 2021
At least two board members of each gender on the Board	Accomplished	Complete revision of Business Ethics Policy and complete training of 90% of employees
Share of the underrepresented sex in leadership positions should at least be 30%	Accomplished	Implement a whistle-blower function

Our customers

The mission to provide superior service to customers is supported by the commitment to conduct business ethically and ensure compliance with the laws and regulations that govern the business and industry. LanguageWire adheres to laws and regulations in the countries it operates in. For example, any form of bribery, including gifts, hospitality or entertainment that could raise concerns about the companies' integrity is not accepted.

Targets for 2020	Status	Targets for 2021
Net Promoter Score >50	Accomplished	Net Promoter Score >51

Our surroundings

LanguageWire strives to make a positive impact where possible. Goodwings is used for hotel bookings, meaning that approximately 5% of spend on hotels goes to a charitable project. Through this scheme, the company is currently supporting PlanBørnefonden's initiative: Children's rights and equality for girls. Many girls stay home from school when they reach puberty. PlanBørnefonden work to improve the hygiene of the schools and give girls the necessary privacy. The project also provides boys and girls education in health, hygiene, and their rights, as well as the distribution of recyclable sanitary pads for teenage girls. By using Goodwings, a positive difference to the world is made.

Management's Review

Environmental performance

As the majority of services in LanguageWire does not include physical items or production processes, the global environmental footprint is low. In 2020 LanguageWire continued its effort to minimise the environmental implications of transportation between the offices by using telephone and video conference equipment to the highest extent possible, which was further supported by the Covid-19 pandemic. In accordance with the efforts to minimise LanguageWire's environmental footprint, the ambition is to:

- Comply with environmental legislation and other requirements, such as approved codes of practice
- Continually seek to minimize reduce pollution, emissions, energy, water and waste, e.g. emissions from transport etc. generated by the activities of LanguageWire
- Actively promote recycling
- Promote the use of digital communication channels to reduce the need for business travel.
- Raise the employees' awareness on the importance of environmental care, encourage participation and train employees in environmental matters
- Incorporate environmental practice for procurement
- Continue to increase the virtualise server infrastructure in our global offices

The environmental policy of LanguageWire is reviewed annually, or if there are major changes to it.

Targets for 2020	Status	Targets for 2021
Prepare environmental policy	Accomplished	Start reporting on environmental KPIs as part of the annual report 2021

Research and development

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

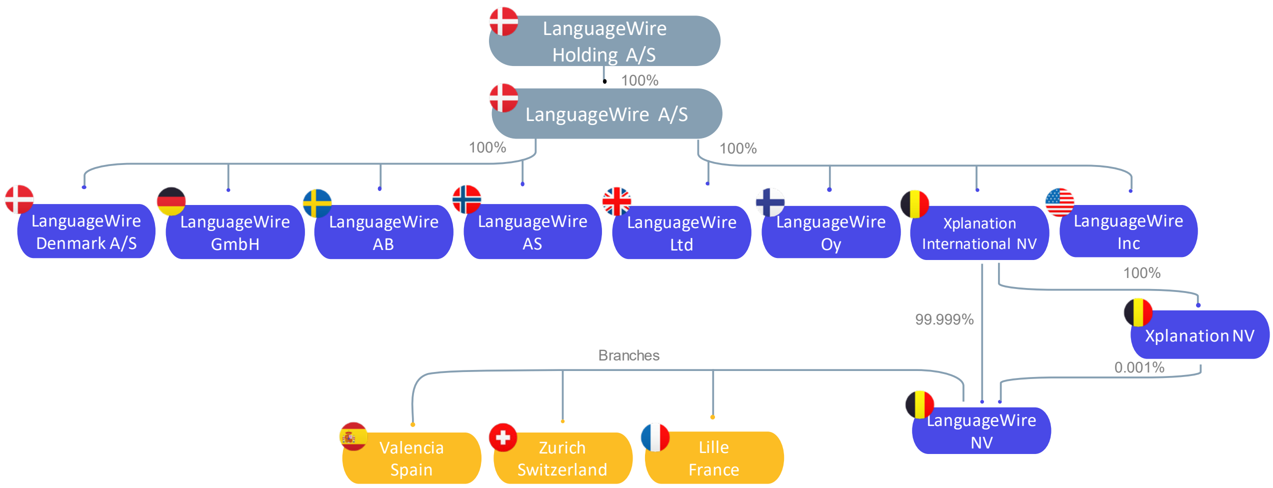
Management's Review

Group relations

LanguageWire is 100% owned by LanguageWire Holding A/S, which is 68.3% owned by the Private Equity Fund (voting rights) CataCap II, 23.5% owned by former majority owner Burgeon ApS and 8.2% owned by group management.

The Company owns 100% of LanguageWire Denmark A/S, LanguageWire AB (Sweden), LanguageWire GmbH (Germany), LanguageWire AS (Norway), LanguageWire Ltd. (UK) and LanguageWire OY (Finland) (a resting company), Xplanation International NV, Xplanation NV, LanguageWire NV (Belgium) and LanguageWire Inc. (USA). Please refer to the below Group structure.

Group structure



Management's Review

Country overview

LanguageWire operates with 15 offices in 11 countries being the U.S, Belgium, France, UK, Germany, Denmark, Sweden, Switzerland, Spain, Ukraine and Poland.
As of 31 December 2020, LanguageWire had 335 employees (including third party development teams in Poland and Ukraine), which is a growth of 4.7% compared to end of December 2019. Of these, 267 employees (80%) are located outside of Denmark.

Nordics

The Nordic region is served by offices in Copenhagen and Aarhus, Stockholm, Gothenburg and Varberg. The Nordic region counts 96 FTEs including the headquarter in Copenhagen.

Germany and Switzerland

The DACH region is served by offices in Hamburg, München and Zürich and count a total of 58 FTEs.

UK

The region operates out of an office in London with 14 FTEs.

BeneFrance

Belgium and Dutch customers are handled by our office in Leuven while French customers are managed out of the office in Lille. BeneFrance employs 28 FTEs.

U.S.

The U.S. customers are managed out an office in Atlanta, with a total of 2 FTEs.

Spain

A large part of LanguageWire's operation is managed out of Valencia with a total of 80 FTEs.

Ukraine

A development centre in Kiev, Ukraine, was established in 2004 and has 44 FTEs performing technology development and IT support for the group.

Poland

A development centre in Gdansk, Poland, was established in 2016 with 13 FTEs developing, implementing and supporting LanguageWire connectors.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Group 2020 TDKK	Group 2019 TDKK	Parent 2020 TDKK	Parent 2019 TDKK
Revenue	1	**432.738**	**419.600**	**0**	**0**
Other operating income		0	158	122	0
Cost of sales		-187.580	-195.119	0	0
Other external expenses		-49.087	-56.181	-1.939	-145
Gross profit/loss		**196.071**	**168.458**	**-1.817**	**-145**
Staff expenses	2	-136.793	-135.976	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-49.603	-43.878	0	0
Operating profit/loss		**9.675**	**-11.396**	**-1.817**	**-145**
Income from investments in subsidiaries		0	0	-8.818	-23.300
Financial income		303	385	0	0
Financial expenses		-17.278	-15.019	-1.783	-1.320
Profit/loss before tax		**-7.300**	**-26.030**	**-12.418**	**-24.765**
Tax on profit/loss for the year	4	-4.724	1.987	394	722
Net profit/loss for the year		**-12.024**	**-24.043**	**-12.024**	**-24.043**

Balance Sheet 31 December

Assets

		Group		Parent	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Completed development projects		44.390	15.528	0	0
Acquired other intangible assets		151.589	179.336	0	0
Goodwill		185.531	196.820	0	0
Development projects in progress		2.847	18.072	0	0
Intangible assets	5	**384.357**	**409.756**	**0**	**0**
Other fixtures and fittings, tools and equipment		2.746	3.713	0	0
Property, plant and equipment	7	**2.746**	**3.713**	**0**	**0**
Investments in subsidiaries	8	0	0	143.746	153.710
Other investments	6	960	890	960	890
Deposits	6	1.162	1.200	0	0
Fixed asset investments		**2.122**	**2.090**	**144.706**	**154.600**
Fixed assets		**389.225**	**415.559**	**144.706**	**154.600**
Trade receivables		89.838	80.350	0	0
Contract work in progress	9	13.803	6.668	0	0
Receivables from group enterprises		1.850	0	4.805	5.282
Other receivables		2.284	1.184	50	0
Deferred tax asset	13	3.570	4.553	1.256	856
Corporation tax		0	4.257	0	895
Prepayments	10	110	1.678	0	0
Receivables		**111.455**	**98.690**	**6.111**	**7.033**
Cash at bank and in hand		**3.756**	**6.829**	**971**	**2.338**
Currents assets		**115.211**	**105.519**	**7.082**	**9.371**
Assets		**504.436**	**521.078**	**151.788**	**163.971**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2020	Group 2019	Parent 2020	Parent 2019
		TDKK	TDKK	TDKK	TDKK
Share capital	11	1.908	1.847	1.908	1.847
Share premium account		675	0	675	0
Retained earnings		138.091	151.265	138.091	151.265
Equity		**140.674**	**153.112**	**140.674**	**153.112**
Provision for deferred tax	13	50.704	55.491	0	0
Provisions		**50.704**	**55.491**	**0**	**0**
Credit institutions		121.190	0	0	0
Long-term debt	14	**121.190**	**0**	**0**	**0**
Bank loans	14	92.357	230.339	11.046	9.565
Prepayments received from customers		10.277	12.723	0	0
Trade payables		33.245	39.130	0	0
Payables to group enterprises		0	184	0	184
Corporation tax		5.485	479	0	1.030
Other payables		50.504	29.620	68	80
Short-term debt		**191.868**	**312.475**	**11.114**	**10.859**
Debt		**313.058**	**312.475**	**11.114**	**10.859**
Liabilities and equity		**504.436**	**521.078**	**151.788**	**163.971**
Distribution of profit	12				
	17				
Related parties	18				
	19				
Accounting Policies	20				

Statement of Changes in Equity

Group

	Share capital	Share premium account	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	1.847	0	151.265	153.112
Exchange adjustments	0	0	-1.150	-1.150
Cash capital increase	61	675	0	736
Net profit/loss for the year	0	0	-12.024	-12.024
Equity at 31 December	**1.908**	**675**	**138.091**	**140.674**

Parent

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January	1.847	0	151.265	153.112
Exchange adjustments	0	0	-1.150	-1.150
Cash capital increase	61	675	0	736
Net profit/loss for the year	0	0	-12.024	-12.024
Equity at 31 December	**1.908**	**675**	**138.091**	**140.674**

Cash Flow Statement 1 January - 31 December

	Note	Group 2020	Group 2019
		TDKK	TDKK
Operating profit/loss		9.675	-11.396
Reversals of non-cash items	15	45.297	43.986
Change in working capital	16	-3.783	-3.503
Cash flows from operating activities before financial income and expenses		**51.189**	**29.087**
Financial income		303	385
Financial expenses		-17.278	-19.466
Cash flows from ordinary activities		**34.214**	**10.006**
Corporation tax paid		3.778	-5.404
Cash flows from operating activities		**37.992**	**4.602**
Purchase of intangible assets		-22.409	-18.904
Purchase of property, plant and equipment		-717	-796
Acquisition of enterprises		0	-6.765
Sale of property, plant and equipment		0	28
Other adjustments		37	0
Cash flows from investing activities		**-23.089**	**-26.437**
Repayment of loans		-25.000	-13.000
Intercompany loan		-1.850	0
Raising of loans		8.208	11.407
Cash capital increase		736	3.446
Other cash flows from financing activities		-70	-890
Cash flows from financing activities		**-17.976**	**963**
Change in cash and cash equivalents		**-3.073**	**-20.872**
Cash and cash equivalents at 1 January		6.829	27.701
Cash and cash equivalents at 31 December		**3.756**	**6.829**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		3.756	6.829
Cash and cash equivalents at 31 December		**3.756**	**6.829**

Notes to the Financial Statements

		Group		Parent	
		2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	Nordics	212.907	199.358	0	0
	DACH	137.248	130.106	0	0
	BeneFrance	51.513	53.242	0	0
	UK & US	31.070	36.894	0	0
		432.738	**419.600**	**0**	**0**

The LanguageWire Group's only activity is translation services across geographical segments.

		Group 2020	Group 2019	Parent 2020	Parent 2019
2	**Staff expenses**				
	Wages and salaries	129.048	112.957	0	0
	Pensions	4.646	13.004	0	0
	Other social security expenses	180	8.103	0	0
	Other staff expenses	2.919	1.912	0	0
		136.793	**135.976**	**0**	**0**
	Including remuneration to:				
	Executive Board and Board of Directors	2.967	2.415	0	0
		2.967	**2.415**	**0**	**0**
	Average number of employees	**253**	**266**	**0**	**0**

The Management has a bonus program of which is based on financial and commercial KPI's.

Employees, management and board of LanguagueWire have been offered the opportunity to purchase shares in LW ManCo ApS, which is a shareholder of LanguageWire Group. The participants acquired the shares at an estimated market price. If an employee leaves the group before an exit, the company has an option to buy the shares back at an estimated market price. Because the program does not have any negative effect on the company, no expense is recognized in the income statement.

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	47.919	42.517	0	0
Depreciation of property, plant and equipment	1.684	1.361	0	0
	49.603	**43.878**	**0**	**0**
4 Tax on profit/loss for the year				
Current tax for the year	8.194	-1.472	0	-172
Deferred tax for the year	-3.855	-1.545	-401	-151
Adjustment of tax concerning previous years	385	1.030	7	-399
	4.724	**-1.987**	**-394**	**-722**

Notes to the Financial Statements

5 Intangible assets

Group

	Completed development projects	Acquired other intangible assets	Goodwill	Development projects in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	25.693	223.843	227.944	18.072
Additions for the year	0	0	-3	22.412
Transfers for the year	37.637	0	0	-37.637
Cost at 31 December	63.330	223.843	227.941	2.847
Impairment losses and amortisation at 1 January	10.165	44.507	31.124	0
Exchange adjustment	0	0	-111	0
Amortisation for the year	8.775	27.747	11.397	0
Impairment losses and amortisation at 31 December	18.940	72.254	42.410	0
Carrying amount at 31 December	**44.390**	**151.589**	**185.531**	**2.847**

Developments during the year

Machine Translation rollout: LanguageWire sharply improved the quality of the machine translation engines and the available language pairs. This resulted in higher translator productivity and faster delivery times, whilst keeping the same excellent quality in the translated materials.

Translation Management Service (TMS): The workflow engine was extended, adding support for more translation jobs types and more advanced automation of the flows. LanguageWire also improved the ordering process, e.g. with a new mechanism for quotes. These extension help customers to do more work on the platform using translation management self-service tools, reducing the amount of effort from LanguageWire internal staff.

Platform: The platform was extended to include machine translation and machine learning in all of LanguageWire's translation workflows. The developers vastly improved the Computer Aided Translation tool (SmartEditor) in the platform, making it much easier for customers and translators to work with translation jobs. A special focus was also put on the quality validation tools to make sure we keep customer satisfaction at the same high level.

Notes to the Financial Statements

6 Other fixed asset investments

	Group		Parent
	Other investments	Deposits	Other investments
	TDKK	TDKK	TDKK
Cost at 1 January	890	1.200	890
Exchange adjustment	0	-20	0
Additions for the year	70	0	70
Disposals for the year	0	-18	0
Cost at 31 December	960	1.162	960
Carrying amount at 31 December	**960**	**1.162**	**960**

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	5.522
Additions for the year	717
Cost at 31 December	6.239
Impairment losses and depreciation at 1 January	1.809
Depreciation for the year	1.684
Impairment losses and depreciation at 31 December	3.493
Carrying amount at 31 December	**2.746**

Notes to the Financial Statements

	Parent	
	2020	2019
	TDKK	TDKK
8 Investments in subsidiaries		
Cost at 1 January	198.419	198.419
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	198.419	198.419
Value adjustments at 1 January	-44.709	-19.497
Exchange rate adjustment	-1.150	-1.912
Net profit/loss for the year	3.549	-10.933
Revaluations for the year, net	0	0
Amortisation of goodwill	-12.367	-12.367
Other adjustments	4	0
Value adjustments at 31 December	-54.673	-44.709
Carrying amount at 31 December	**143.746**	**153.710**
Remaining positive difference included in the above carrying amount at 31 December	129.568	141.935

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Languagewire A/S	Copenhagen, Denmark	100%
LanguageWire Danmark A/S	Copenhagen, Denmark	100%
LanguageWire Inc.	Atlanta, United States of America	100%
LanguageWire GmbH	Hamburg, Germany	100%
LanguageWire AB	Göteborg, Sweden	100%
LanguageWire AS	Oslo, Norway	100%
LanguageWire Ltd.	Londen, United Kingdom	100%
LanguageWire Oy	Helsinki, Finland	100%
LanguageWire NV	Leuven, Belgium	100%
LanguageWire France SARL	Lille, France	100%
LanguageWire Spain SL	Valencia, Espana	100%
LanguageWire Switzerland AG	Zürich, Switzerland	100%

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
9 Contract work in progress				
Selling price of work in progress	18.457	8.916	0	0
Payments received on account	-4.654	-2.248	0	0
	13.803	**6.668**	**0**	**0**

10 Prepayments

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

11 Equity

The share capital is broken down as follow:

	Number	Nominal value
		TDKK
A-shares	1.664.289	1.664
B-shares	136.910	137
C-shares	39.706	40
D-shares	5.920	6
E-shares	51.669	51
F-shares	9.680	10
		1.908

The contributed capital has been expanded by 61.349 shares with a nominal value of DKK 1.

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

12 Distribution of profit

Retained earnings	-12.024	-24.043	-12.024	-24.043
	-12.024	**-24.043**	**-12.024**	**-24.043**

13 Provision for deferred tax

Provision for deferred tax at 1 January	50.938	0	-856	0
Amounts recognised in the income statement for the year	-3.855	-1.545	-401	-151
Amounts recognised in equity for the year	51	52.483	1	-705
Provision for deferred tax at 31 December	**47.134**	**50.938**	**-1.256**	**-856**

Dererred tax is tax losses recognised due its expected use within the Group, the budget confirms this expectation.

14 Long-term debt

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

The debt falls due for payment as specified below:

Credit institutions

Between 1 and 5 years	121.190	0	0	0
Long-term part	121.190	0	0	0
Other short-term debt to credit institutions	92.357	230.339	11.046	9.565
	213.547	**230.339**	**11.046**	**9.565**

Notes to the Financial Statements

		Group	
		2020	2019
		TDKK	TDKK
15	**Cash flow statement - adjustments**		
	Financial items net	116	0
	Depreciation, amortisation and impairment losses, including losses and gains on sales	49.603	43.878
	Tax on profit/loss for the year	-4.194	0
	Other adjustments	-228	108
		45.297	**43.986**

		2020	2019
16	**Cash flow statement - change in working capital**		
	Change in receivables	-16.156	-1.075
	Change in trade payables, etc	12.373	-2.428
		-3.783	**-3.503**

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

17 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	Group 2020 TDKK	Group 2019 TDKK	Parent 2020 TDKK	Parent 2019 TDKK
Within 1 year	8.134	9.772	0	0
Between 1 and 5 years	7.272	11.752	0	0
	15.406	**21.524**	**0**	**0**

Other contingent liabilities

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

The Entity participates in a Danish joint taxation arrangement in which CC Lingo Invest ApS, Central Business Registration No 38601024, 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.

Notes to the Financial Statements

18 Related parties

Transactions

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.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Name	Place of registered office
CC Lingo Invest ApS (68,3%)	Frederiksberg, Denmark

	Group		Parent	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

19 Fee to auditors appointed at the general meeting

	Group 2020 TDKK	Group 2019 TDKK	Parent 2020 TDKK	Parent 2019 TDKK
PricewaterhouseCoopers				
Audit fee	923	0	0	0
Other assurance engagements	0	0	0	0
Tax advisory services	494	0	0	0
Other services	2.607	0	0	0
	4.024	**0**	**0**	**0**
Deloitte				
Audit fee	0	1.077	0	0
Other assurance engagements	0	0	0	0
Tax advisory services	0	207	0	0
Other services	0	4.800	0	0
	0	**6.084**	**0**	**0**
	4.024	**6.084**	**0**	**0**

Notes to the Financial Statements

20 Accounting Policies

The Annual Report of Languagewire Holding A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2020 are presented in TDKK.

Recognition and measurement

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

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

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

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

Basis of consolidation

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

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July 2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.

- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.

- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.

- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.

- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

Leases

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

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

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

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between

Notes to the Financial Statements

20 Accounting Policies (continued)

the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

Information on geographical segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

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

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

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

Cost of sales

Cost of sales comprise the raw materials and consumables consumed to achieve revenue for the year.

20 Accounting Policies (continued)

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries

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

Financial income and expenses

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Balance Sheet

Intangible assets

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

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

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.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-5	years

The fixed assets' residual values are determined at nil.

Notes to the Financial Statements

20 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

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

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

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

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

Other fixed asset investments

Other fixed asset investments consist of unlisted investments measured at the lower of cost and net realisable value.

Receivables

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service 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 relating 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.

Deferred tax assets and liabilities

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

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

Notes to the Financial Statements

20 Accounting Policies (continued)

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

Current tax receivables and liabilities

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

Financial debts

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

Deferred income

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Notes to the Financial Statements

20 Accounting Policies (continued)

Cash and cash equivalents

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

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

Financial Highlights

Explanation of financial ratios

Gross margin	$\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$
Net margin	$\dfrac{\text{Net profit/loss for the year x 100}}{\text{Revenue}}$
Return on equity	$\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Equity ratio	$\dfrac{\text{Equity excl minority interests x 100}}{\text{Total assets}}$
EBITDA normalized margin	$\dfrac{\text{Normalized EBITDA x 100}}{\text{Revenue}}$