

Annual Report 2022 —

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 21 June, 2023.

Lars Ankjer Jensen

Dirigent

Chairman of the General Meeting

Uniqkey A/S

Lyskær 8b st, 2730 Herlev

CVR nr. 39 00 41 27



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3 critical problems in company infrastructure

This transformation has challenged traditional infrastructure and it-security and company now face a variety of new and unseen threats against their business.

1. Impossible to administrate employee access

- 89% of former employees still have access to company accounts ⁽¹⁾
- \$34 billion in year licensing is wasted every year alone in the UK+US ⁽²⁾

2. No overview of company services & shadow it

- 80% of employees admit using SaaS products without approval from IT ⁽³⁾
- \$1.7 trillions yearly spend on data loss and security breaches due to shadow it ⁽⁴⁾

3. Increased access security kills productivity

- 63% of companies say employees won't use MFA ⁽⁵⁾

Source:

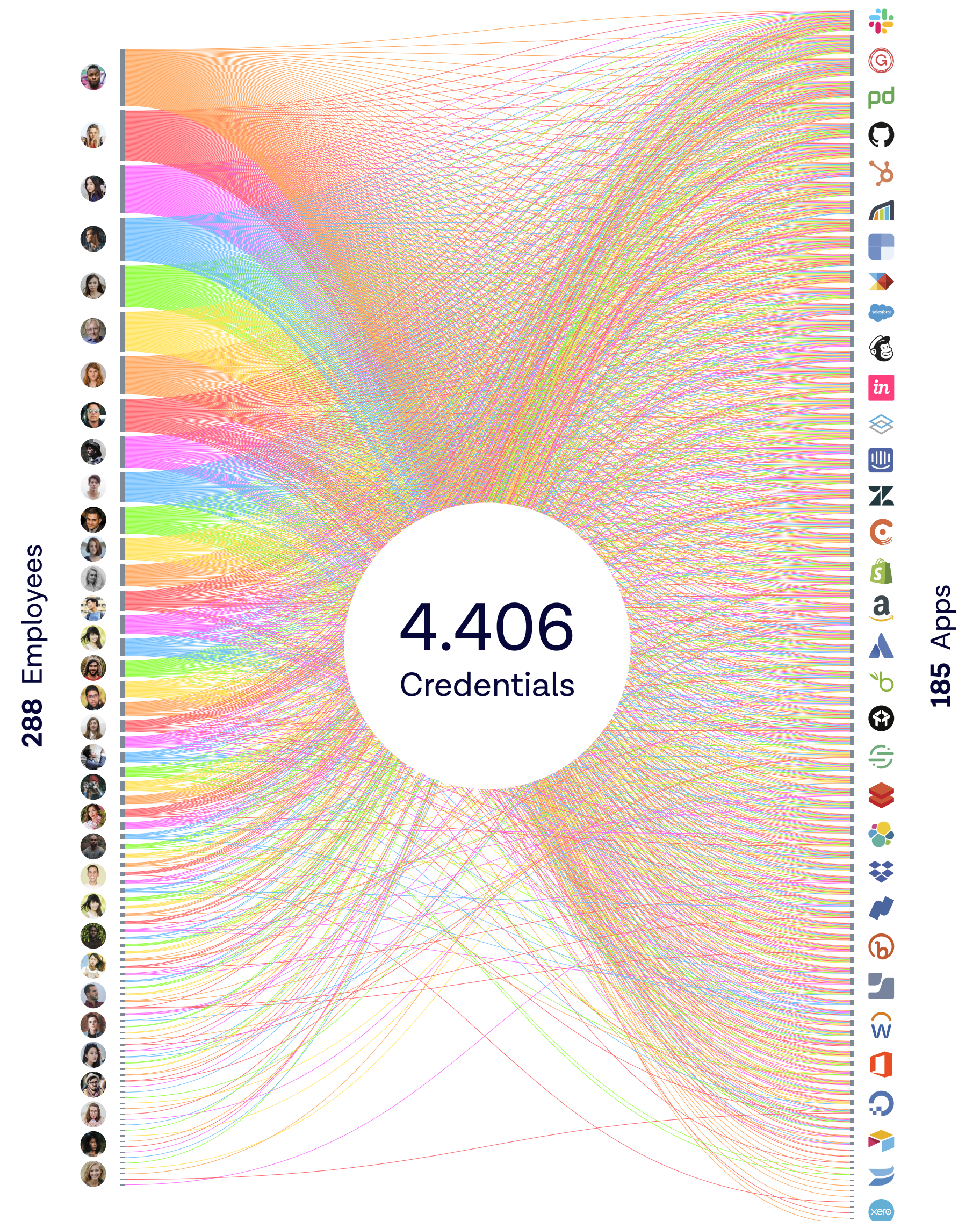
(1) <https://www.intermedia.com/press-release/the-ex-employee-menace-89-retain-access-to-salesforce-quickbooks-other-sensitive-corporate-apps>

(2) <https://www.techrepublic.com/article/report-unused-enterprise-software-is-costing-businesses-a-fortune/>

(3) <https://track.g2.com/resources/shadow-it-statistics>

(4) <https://www.securityweek.com/downtime-and-data-loss-cost-enterprises-17-trillion-year-emc/>

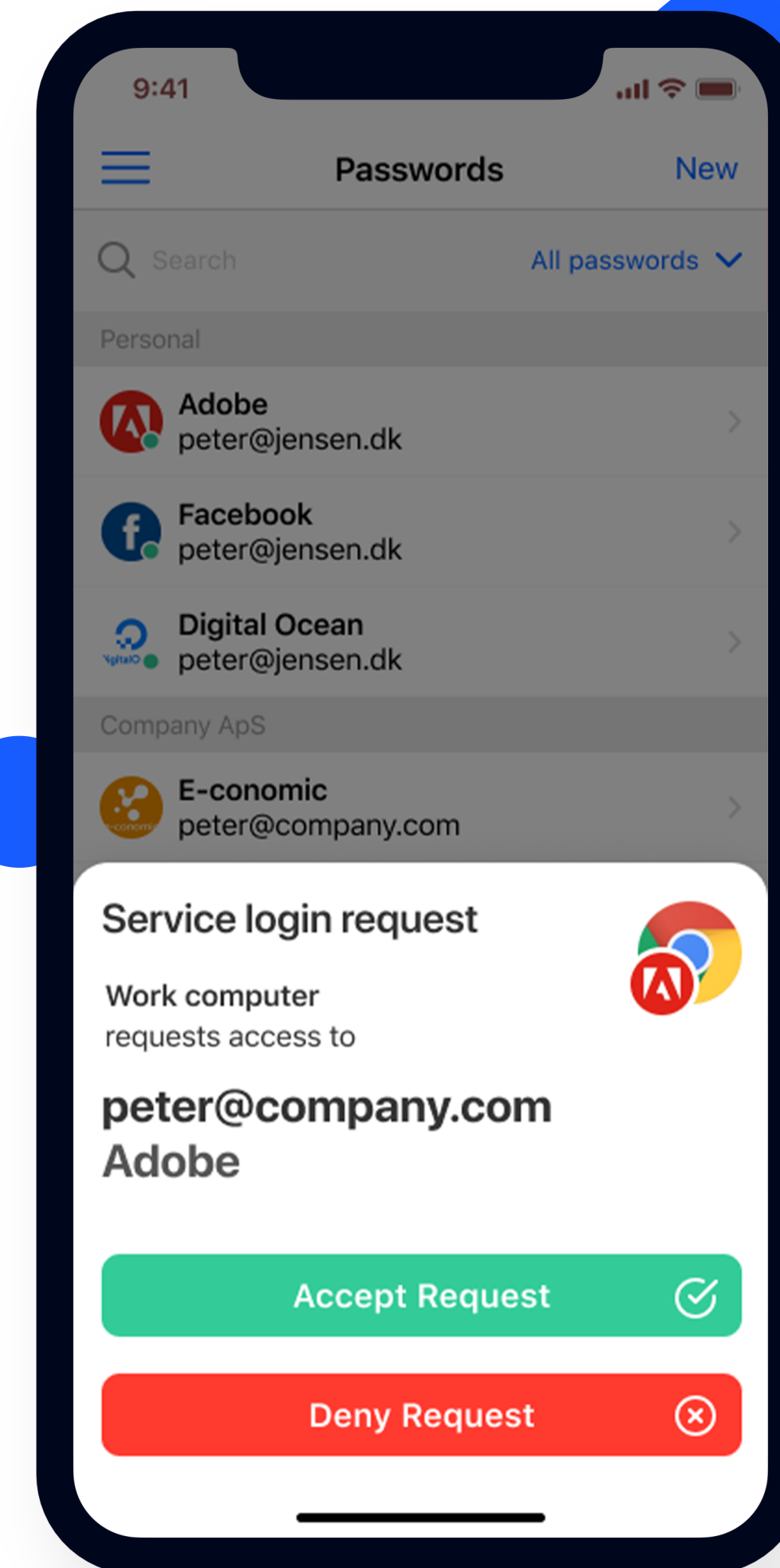
(5) <https://www.techrepublic.com/article/63-of-companies-say-employees-wont-use-multi-factor-authentication/>



Based on an average European company size

Uniqkey provides passwordless authentication for cloud-services, desktop applications and mobile apps.

By removing the daily use of credentials, Uniqkey empowers employees to strengthen their overall security without extra hassle, while making their workflow easier and more convenient.



Letter from the Chairman

As the Chairman of the Board, I am pleased to present the Annual Report for Uniqkey.

We have witnessed a remarkable year of growth and innovation in our pursuit to make the digital world a safer place. Cyber security is no longer an additional cost; it is a mandatory investment for companies.

2022 was a challenging yet rewarding year for the cybersecurity landscape, and Uniqkey demonstrated its commitment to providing innovative solutions and unparalleled service to our valued clients. We achieved notable milestones, expanded our product offerings, and strengthened our market position.

Key Achievements in 2022:

- New investment in all our platforms secures our market position. The product leverages cutting-edge technology to protect our client's digital assets and provide them with a competitive edge with a new foundation for new market-leading features planned for 2023 and the following years.
- Industry recognition - Our relentless pursuit of excellence has not gone unnoticed. Uniqkey was recognized with several prestigious industry awards and nominations in 2022, including the "Ernst & Young – Entrepreneur of the year" and G2 ranks Uniqkey among 2023's Top 50 Best Software Security Solutions globally, further solidifying our status as a leader in the cybersecurity space.
- War in Ukraine: We relocated our team and their families to a safer place in Poland before the war started.
- Talent Acquisition and Retention: Recognizing the importance of skilled and experienced professionals, we invested in our talent pool, attracting top-tier cybersecurity experts and fostering a culture of growth, collaboration, and innovation.

Looking Ahead:

As we enter 2023, we remain steadfast in our mission to provide best-in-class cybersecurity solutions to our clients.

We have identified the following strategic priorities for the coming year:

- Expanding our product portfolio: We will continue to invest in research and development to bring innovative and advanced solutions to the market.
- Strengthening our market presence: We continue further penetrate existing markets and explore new, high-potential segments, allowing us to grow our client base and generate sustainable revenue streams.
- Investing in our team: We will focus on attracting, retaining, and developing top talent, fostering a culture of continuous learning and growth.
- Deepening partnerships: We will strengthen our partnerships and seek new alliances to enhance our capabilities and market reach.

Outlook for 2023

Looking ahead, we remain optimistic about the growth potential in the cybersecurity industry. We will continue to invest in research and development to stay ahead of emerging threats, expand our global footprint, and build long-lasting relationships with our partners and clients.



Sincerely,

Lars Ankjer Jensen

Chairman of the Board —

Notes from the CEO

Strong, united and ready to continue our European growth journey.

As an organization, we have been battle tested for the last two years with a pandemic and the war in Ukraine, and we stand firm. We've used the past year to empower our infrastructure and improve our organization, making it ready to succeed in 2023 and reach our expectations.

As our next-generation platform got delayed due to changes in the prioritization of features and tech stack, we decided to cancel all planned hires in sales. This influenced our final revenue expectations for 2022, as we had to lower our projections due to fewer sales reps being hired and because we had to hire additional developers to support our current roadmap for our next-generation platform.

Having seen our next generation in action and from the feedback we've gotten from the customers who have been onboarded so far, I feel rest assured that we, as a company, are ready to continue our growth journey and that our courses are set for continued success and growth in 2023.

War In Ukraine

We have felt the impact of the war in Ukraine from the first day because our office in Ukraine hosts most of our developers. As a result, we've invested a lot of time and money into relocating our Ukrainian colleagues to Denmark and Poland, where we have created a temporary work hub. Our priority is establishing a safe environment for our employees and their families to ensure continuous operations and stability.

The situation has resulted in economic investment in creating new working hubs and relocating employees, which, especially in Denmark, was expensive due to the increased living costs. We have also seen a reduction in productivity due to the circumstances and the subsequent relocations, which impacted our employees.

This investment has secured the loyalty of our employees, and we expect this to be crucial component to reducing employee churn and maintaining our critical developers in a market where it is challenging to maintain senior profiles.

Next-Gen Platform

One of our major development projects for 2022 has been our new 'Next Generation Platform,' which is the most significant product update since our first version. The new product update includes major upgrades on user experience, security, and speed while offering a new foundation for new market-leading features planned for 2023.

To combat some unforeseen obstacles in our roadmap and compensate for the lost productivity from our Ukrainian office, we've scaled our development team faster than planned, which has influenced our cash burn in 22.



Hakan Yagci

Founder & CEO —

A strong **senior team** with passion and industry experience

Operations



Hakan Yagci

Founder & CEO —

Former founder of OrderYoYo Aps - 2015 - Fastfood-competitor to JustEat. Grew the business from 0 to 12 million DKK per month within 3 years. Responsible for entering international markets such as the UK and Ireland.

- Ensuring the founding by more than 40 dkk million
- Built a strong team
- 2021 Orderyoyo raised – DKK 79.4M - from IPO → Orderyoyo 2021 ~ DKK 700M.



Simon Melander

CMO —

Co-founder & CEO, L.O.W Academy – Largest professional skate academy in Europe

- Scaled to 7 countries
- Responsible for all sales & marketing activities

Nordic Country Manager - Cloud Employee Software Outsourcing

- Responsible for client relations and development projects
- Scaling Nordic operations together with the director of relations

Co-founder - Traffect

SaaS tool to track offline marketing efforts

- Building marketing & sales from scratch
- Establishing commercial channels



Magnus Cohn

CCO —

Founder & CEO - LiquidMind – External Sales Academy for large enterprises.

Sales & Partner Manager - Secunia – Responsible for professionalizing and growing Secunias Global Partner channel.

Head of Sales - Keepit - Built the sales department from scratch to 5 managers and 20+ sales professionals.

- Expanded to 4 region with customers in over 24 countries
- Increased ARR from 0 DKK -> 7 digits
- Build strong partnerships with global & local partners; Veritas, Continium, CGI, EG, Crayon, It-relation



Roman Parashchak

CTO —

Keepit - Cyber security

- Leading frontend and mobile team for 6 years. We were building a Next Generation user UI for Keepit solution. Also, responsible for establishing the office in Lviv and operations.

Senior Consultant

- Consulting and interim management at companies that struggled with software development. I was helping with architecture, tech stack, hiring and team building, while advising senior management on DevOps, roadmap and development.

Key employees



Christian Fahrner

Head of Architecture —

Visma

- Member of the architecture board to ensure the technical architecture and security for Visma Enterprise.

Taking a lead on future products and innovation.

Making sure stuck projects are finished.

EG Team Leader

- Team lead for a developing team in EG.

Being the communication to business.



Sanne Øst

Head of Product —

e-Boks Product Manager

- Driving security projects of classic e-Boks, managing their Core team, ensuring higher security .

Genesis - Scoping the new secure version e-Boks for the international market.

Technical Product Manager

- Scoping and driving EG's platform to allows the Danish municipalities to comply to GDPR when gathering personal data from their citizens.

Diving into data and code to support investigation of security flaws that support couldn't find.



Victor Thaulow Pedersen

Head of DevOps —

Vækstfonden

- Long track record with handling the operation and development of IT infrastructure in The Danish Growth Fund. Including virtualization, datacenter hosting and VDI.

Build up internal and external help desks to ensure smooth customer service according to ITIL standards.

Established extensive monitoring of internal infrastructure, systems and operations.

Key employees



Philip C.W Obel

Head of Customer Success —

Det Obelske Familiefond - Boardmember – Safeguard the interests of the family.

Member of Mensa Denmark.

Ordrestyring.dk – Senior Customer Success

- Responsible for implementation of sales tech stack and following automation of internal processes that resulted in greatly minimized admin tasks for the average salesperson.

Jublo.dk – Head of Sales/Product Manager

- Built Customer base from scratch (100+ in year one).

Designed and implemented Onboarding flow that saw product adoption rise by 57%.

Defined and validated specifications for second iteration of Jublo.



Nicolai Eller

Head of SDR team —

Cyber security professional with more than 6-year years pedigree from various operators and well-known companies. Proven track record with strong results and understanding of the cyber market and a specialist in mapping out companies needs.

High performing Hunter-KAM in 4 other scale up companies with 16+ years' experience.

- Motus A/S
- Keepit A/S
- Time2Media
- Ventus Publishing



Martin Larsen

Head of Support —

AnyCloud A/S

- Responsible for technical advisory and consultancy for international key accounts with a vast portfolio of well-established companies. Strong technical background with years of experience in infrastructure, cloud services and Microsoft environment.

Board & Advisory



Simon Massey

Architect —

The first advisory and employee at Uniqkey.

- Responsible for building large digital services in the field of banking and security, as well as the former security officer for the British Government.
- Top 10 Security advisory in UK



Lars Ankjer

Chairman —

Well known entrepreneur and serial investor

- Joined Uniqkey in 2021
- Chairman at Uniqkey
- 10 years of tech start-up experience
- Chairman at Risma System



Otto Krabbe

Investor —

Well known entrepreneur and serial investor.

- Joined Uniqkey in 2018
- Chairman at instrumeter A/S
- 20 years of tech start-up experience



Dr. Rolf Bladt

Investor —

- Joined Uniqkey in 2021
- Chairman at Molytex A/S

Company information

The company

UniqKey A/S

Lyskær 8 B st
2730 Herlev

Tel.: 71 96 99 67

Registered office: Herlev

CVR no.: 39 00 41 27

Financial year: 01.01 - 31.12

Auditors

Beierholm

Statsautoriseret Revisionspartnerselskab

Executive board

adm. direktør Hakan Yagci

Board of directors

Lars Ankjer Jensen, Chairman

Otto Tyge Krabbe

adm. direktør Hakan Yagci

Rolf Henrik Bladt

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for UniqKey A/S.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Herlev, June 21, 2023

Executive Board

Hakan Yagci, Chief Executive Officer

Board of Directors

Lars Ankjer Jensen, Chairman

Otto Tyge Krabbe

Hakan Yagci, Chief Executive Officer

Rolf Henrik Bladt

Independent auditor's report

To the capital owners of UniqKey A/S

Opinion

We have audited the financial statements of UniqKey A/S for the financial year 01.01.22 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for opinion

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

Statement regarding the management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 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 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 International Standards on Auditing 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 International Standards on Auditing 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.

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.

Soeborg, Copenhagen, June 21, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Ole Skou

State Authorized Public Accountant
MNE-no. mne15007

Management's review

Primary activities

The company's activities consist of running a business with sales and development of software for the prevention of cyber hacking and related business.

Development in activities and financial affairs

The income statement for the period 01.01.22 - 31.12.22 shows a profit/loss of DKK -18,162,587 against DKK -9,789,965 for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK 1,506,318.

Information on going concern

The company incurred a loss of t.DKK -18,163 in 2022 and had an equity as of December 31st, 2022, of t.DKK 1,506. The company's financial situation indicates uncertainty about its ongoing operations. However, the company received a capital injection of DKK 7 million through a cash capital increase in March 2023, ensuring the company's liquidity base for planned operations until August. Furthermore, the company has received financing commitments from its owners to support the implementation of the planned activities for the upcoming year. On the condition that the company adheres to its budgets. Therefore, the financial statements have been prepared on the assumption of a going concern.

Subsequent events

The company's share capital has been restored through a capital increase in March, with a capital injection of 7 million kr. Besides capital increase no important events have occurred after the end of the financial year.

Income statement

Figures in DKK	2022	2021
Gross loss	-4.408.327	-2.153.043
2 Staff costs	-13.288.044	-7.364.377
Loss before depreciation, amortisation, write-downs and impairment losses	-17.696.371	-9.517.420
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-1.304.124	-769.921
Operating loss	-19.000.495	-10.287.341
Financial income	45.313	3.948
Financial expenses	-646.832	-302.721
Loss before tax	-19.602.014	-10.586.114
Tax on loss for the year	1.439.427	796.149
Loss for the year	-18.162.587	-9.789.965
Proposed appropriation account		
Retained earnings	-18.162.587	-9.789.965
Total	-18.162.587	-9.789.965

Balance sheet

Assets

Figures in DKK	31.12.22	31.12.21
Completed development projects	10.819.837	5.550.530
3 Total intangible assets	10.819.837	5.550.530
Other fixtures and fittings, tools and equipment	260.833	119.287
4 Total property, plant and equipment	260.833	119.287
5 Deposits	64.837	46.458
Total investments	64.837	46.458
Total non-current assets	11.145.507	5.716.275
Trade receivables	454.644	93.640
Deferred tax asset	377.033	377.033
Income tax receivable	1.439.871	1.021.422
Other receivables	0	167.610
Prepayments	60.799	67.107
Total receivables	2.332.347	1.726.812
Cash	6.336.505	9.870.457
Total current assets	8.668.852	11.597.269
Total assets	19.814.359	17.313.544

Balance sheet

Equity & Liabilities

Figures in DKK	31.12.22	31.12.21
Share capital	4.216.090	3.260.340
Share premium	26.956.771	8.797.521
Reserve for development costs	8.439.473	4.329.413
Retained earnings	-38.106.016	-15.833.369
Total equity	1.506.318	553.905
6 Payables to other credit institutions	5.023.902	4.770.864
6 Other payables	33.611	33.681
Total long-term payables	5.057.513	4.804.545
6 Short term part of long term payables	0	69.921
Convertible and profit sharing debt instruments	10.251.709	10.047.324
Prepayments received from customers	0	23.973
Trade payables	684.333	645.128
Other payables	788.361	680.793
Deferred income	1.526.125	487.955
Total short-term payables	13.250.528	11.955.094
Total payables	18.308.041	16.759.639
Total equity and liabilities	19.814.359	17.313.544
7 Contingent liabilities		
8 Charges and security		

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Reserve for development costs	Retained earnings	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22					
Balance as at 01.01.22	3.260.340	8.797.521	4.329.413	-15.833.369	553.905
Capital increase	955.750	18.159.250	0	0	19.115.000
Transfers to/from other reserves	0	0	4.110.060	-4.110.060	0
Net profit/loss for the year	0	0	0	-18.162.587	-18.162.587
Balance as at 31.12.22	4.216.090	26.956.771	8.439.743	-38.106.016	1.506.318

Notes

1. Information as regards going concern

The company incurred a loss of t.DKK -18,163 in 2022 and had an equity as of December 31st, 2022, of t.DKK 1,506. The company's financial situation indicates uncertainty about its ongoing operations. However, the company received a capital injection of DKK 7 million through a cash capital increase in March 2023, ensuring the company's liquidity base for planned operations until august. Furthermore, the company has received financing commitments from its owners to support the implementation of the planned activities for the upcoming year. On the condition that the company adheres to its budgets. Therefore, the financial statements have been prepared on the assumption of a going concern.

2. Staff costs

Figures in DKK	2022	2021
Wages and salaries	12.012.436	6.888.887
Pensions	0	23.520
Other social security costs	99.291	49.219
Other staff costs	1.176.317	402.751
Total	13.288.044	7.364.377
Average number of employees during the year	15	8

3. Intangible assets

Figures in DKK	Completed development projects
Cost as at 01.01.22	6.959.229
Additions during the year	6.464.578
Disposals during the year	-78.276
Cost as at 31.12.22	13.345.531
Amortisation and impairment losses as at 01.01.22	-1.408.301
Amortisation during the year	-1.117.393
Amortisation and impairment losses as at 31.12.22	-2.525.694
Carrying amount as at 31.12.22	10.819.837

4. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	160.358
Additions during the year	250.398
Cost as at 31.12.22	410.756
Depreciation and impairment losses as at 01.01.22	-41.071
Depreciation during the year	-108.852
Depreciation and impairment losses as at 31.12.22	-149.923
Carrying amount as at 31.12.22	260.833

5. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.22	46.458
Additions during the year	18.379
Cost as at 31.12.22	64.837
Carrying amount as at 31.12.22	64.837

6. Long-term payables

Figures in DKK	Total payables at 31.12.22	Total payables at 31.12.21
Payables to credit institutions	5.023.902	4.770.864
Other payables	33.611	103.602
Total	5.057.513	4.874.466

7. Contingent liabilities

Lease commitments

The company has concluded lease agreements with a remaining lease obligation of DKK 84k.

8. Charges and security

The company has not provided any security over assets.

9. Accounting policies

General

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Currency

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non monetary assets acquired in foreign currencies are translated using historical exchange rates.

Leases

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

Income statement

Gross loss

Gross loss comprises revenue and cost of sales and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight line method based on the following expected useful lives and residual values:

	Useful lives (years)	Residual value (DKK)
Completed development projects	7	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

Balance sheet

Intangible assets

Completed development projects

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write downs for bad debts.

Write downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Equity

An amount equivalent to internally generated development costs in the balance sheet is recognised in equity under reserve for development costs. The reserve is measured less deferred tax and reduced by amortisation and impairment losses on the asset. If impairment losses on development costs are subsequently reversed, the reserve will be restored with a corresponding amount. The reserve is dissolved when the development costs are no longer recognized in the balance sheet, and the remaining amount will be transferred to retained earnings.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

Long term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

Thank you —

