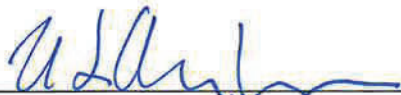


Systematic A/S
Søren Frichs Vej 39
8000 Aarhus C
Central Business Registration
No 78834412

Annual report
01.10.2018 -
30.09.2019

The Annual General Meeting adopted the annual report on 12.12.2019

Chairman of the General Meeting



Name: Uffe Ladefoged Christophersen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2018/19	12
Consolidated balance sheet at 30.09.2019	13
Consolidated statement of changes in equity for 2018/19	15
Consolidated cash flow statement for 2018/19	16
Notes to consolidated financial statements	17
Parent income statement for 2018/19	23
Parent balance sheet at 30.09.2019	24
Parent statement of changes in equity for 2018/19	26
Notes to parent financial statements	27
Accounting policies	32

Entity details

Entity

Systematic A/S

Søren Frichs Vej 39

8000 Aarhus C

Central Business Registration No (CVR): 78834412

Registered in: Aarhus

Financial year: 01.10.2018 - 30.09.2019

Phone: +4589432000

Website: www.systematic.com

E-mail: more.info@systematic.com

Statutory reports on the entity's website

Statutory report on corporate social responsibility: <https://da.systematic.com/corporate-social-responsibility/>

Board of Directors

Peter Lorens Ravn, Chairman

Lars Monrad-Gylling, Vice-Chairman

Timothy Michael Wickham

John Michael Hannibal

Anne Bloch Østergaard

Florin Preda

Executive Board

Michael Holm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Systematic A/S for the financial year 01.10.2018 - 30.09.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2019 and of the results of its operations and cash flows for the financial year 01.10.2018 - 30.09.2019.

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


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

Aarhus, 12.12.2019

Executive Board

Michael Holm

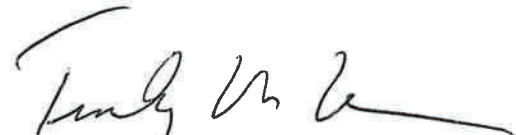
Board of Directors



Peter Lorens Ravn
Chairman




Lars Monrad-Gylling
Vice-Chairman



Timothy Michael Wickham



John Michael Hannibal



Anne Bloch Østergaard



Florin Preda

Independent auditor's report

To the shareholders of Systematic A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Systematic A/S for the financial year 01.10.2018 - 30.09.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2018 - 30.09.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

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

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

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

Independent auditor's report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Aarhus, 12.12.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Michael Bæch
State Authorised Public Accountant
Identification No (MNE) mne19691



Søren Lassen
State Authorised Public Accountant
Identification No (MNE) mne18520

Management commentary

	2018/19 EUR'000	2017/18 EUR'000	2016/17 EUR'000	2015/16 EUR'000	2014/15 EUR'000
Financial highlights					
Key figures					
Revenue	135,782	129,408	150,620	91,909	67,727
Gross profit/loss	93,112	87,642	113,538	53,930	45,015
Operating profit/loss	12,170	17,111	51,122	9,034	6,048
Net financials	(412)	(31)	(763)	743	(239)
Profit/loss for the year	8,710	13,030	38,850	7,763	4,512
Total assets	102,002	89,917	112,569	62,142	45,288
Equity	51,306	45,778	59,512	25,742	21,727
Average numbers of employees	926	805	638	498	444
Cash and cash equivalents	30,973	24,305	60,144	8,514	11,436
Ratios					
Gross margin (%)	68.6	67.7	75.4	58.7	66.5
EBIT margin (%)	9.0	13.2	33.9	9.8	8.9
Net margin (%)	6.4	10.1	25.8	8.4	6.7
Return on equity (%)	17.9	24.8	91.1	32.7	22.3
Equity ratio (%)	50.3	50.9	52.9	41.4	48.0

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

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

Management commentary

Primary activities

Systematic is one of Denmark's leading IT software and systems integrators. Systematic provides a wide range of IT services and solutions to its customers, primarily in the healthcare and public sector in Denmark, and defence sector internationally.

Our business

Systematic is Denmark's largest privately owned IT-company and one of Denmark's leading IT software and system integrators. Systematic provides a wide range of IT services and solutions to the public and private sectors in 50+ countries, where millions of people rely on the quality of our software.

Systematic's objective is simplifying critical decision-making.

A common denominator for our services is our ability to interoperate, manage, integrate, analyse and visualise large volumes of data into user-friendly information, empowering users to make critical decisions based on solid and relevant information.

Systematic's software products and solutions are deployed globally in the defence sector, in the health care sector, in the Danish police and national security services, in libraries and educational institutions in the Nordic countries, and in global marine coordination in the offshore energy sector – primarily in the construction and maintenance of offshore wind turbines. In addition, Systematic supplies various tailor-made systems and services to selected customers.

A significant proportion of our people and resources are allocated to innovation and the development of new products and services. It is our ambition to lead the way in those market segments where we are active, and to continuously add value for the benefit of our customers and the outcomes of their activities.

Systematic is dependent on being able to access highly qualified engineers and specialists. We would not be where we are today without our competent, dedicated and well-educated colleagues, who all demonstrate a strong passion for our customers' businesses as well as a high degree of commitment to our own enterprise.

In light of the demand for highly-educated people in the IT sector, Systematic also assumes responsibility for attracting and training employees with the aim of further developing their competences and skills in order to execute their job functions wherever they are in our organisation. We collaborate closely with universities and other educational institutions to be at the forefront of research and development to acquire new knowledge and remain competitive.

Vision

Our vision is to be a leading global IT software product provider and systems integrator in specific mission and business-critical sectors. We aim to provide a full range of IT products, services and solutions in specific sectors, from ideation to full deployment and operations, and to partner with others to increase the value of our services and products for our customers.

Management commentary

Values

Systematic is guided by its values – our core values define our organisation, our identity, our decision-making processes and the basic principles by which we conduct our business. The following six core values are our DNA:

- *Making a Difference – We are a creative company that stands out from the crowd.*
- *People Centric – Our company is built on personal and professional integrity.*
- *Freedom with Responsibility – We believe and trust in people and that freedom with responsibility grows the best employees and creates the most agile organisation.*
- *Pervasive Quality – Often lives depend on our solutions, which is why we insist on the highest quality standards being met in everything we do.*
- *Cost Conscious – We use our resources wisely. We earn our own money, and we respect the freedom it gives to bring it into play for innovation and investments in new products and services.*
- *Contribution to Society – We contribute to the enrichment of society through actively participating in projects, training and educational activities. We respect the laws, local regulations, values and culture wherever we do business.*

We pursue these values every single day at all our locations.

A sustainable business model

Systematic's business model is highly transparent and builds on three main revenue drivers: software products, product-related services, and project and professional services. These revenue drivers all derive from Systematic's investments in our own products within our five business areas. To ensure that these offerings are always up to date and at the forefront of our customers' needs, we are constantly investing and allocating significant resources to product innovation and development.

Development in activities and finances

In the last five years, the Systematic Group has posted strong organic revenue growth of more than 19% annually while also significantly improving profitability – EBIT has grown by 19.1%. This long-term performance is very satisfactory.

Financial year 2016/17 was exceptional in that it was influenced by extraordinarily positive one-off events. Adjusted for these unique events, we have continued the robust underlying momentum with an increase in revenue and, in particular, the share of recurring revenue. For financial year 2018/19, our profitability has decreased, as we have decided to allocate relatively more resources to product development and investments in innovation compared with previous years, while at the same time making significant investments in brand-new HR and ERP systems.

Our market success has resulted in a very busy organisation, where growth is being realised by our committed and loyal employees, who have all shown considerable dedication and passion vis-à-vis our customers and the Systematic Group.

Management commentary

During the financial year, we have employed 201 new employees across our various locations, and continued to build up our development centre in Romania, where we currently have more than 140 employees, as well as our US office near Washington DC, where we now have almost 50 employees.

Systematic has approx. 800 employees employed at its headquarters in Aarhus (Denmark), in addition to which we have offices in Copenhagen (Denmark), Canberra (Australia), Ottawa (Canada), Tampere (Finland), Cologne (Germany), Wellington (New Zealand), Stockholm (Sweden), Abu Dhabi (United Arab Emirates), Farnborough (UK), Bucharest (Romania) and in Washington DC (USA).

We are confident that our ongoing investments in software products and services combined with our robust organisation will maintain and strengthen the foundation for continued and sustainable international growth.

Financial year 2018/19

In financial year 2018/19, Systematic Group posted revenue of EUR 135.8m, with an EBIT margin of 9.0%, equating to an EBIT of EUR 12.2m. Revenue grew by 5%, while EBIT decreased by 4.2%-point due to the high level of activity in innovation and product development in 2018/19.

We continue to see the results of changing our business model from a project and professional service business to one which sells, distributes, deploys and services our own software products and associated services.

With our current business model, we expect even more of our future revenue to be licensing revenue from our software products and associated services, where we are confident about our long-term strategic view combined with our commitment to execution with urgency.

International expansion is an ongoing focus area for us, and it is one that is growing in importance, with 44% of revenue now stemming from our international markets. The growing products business and the internationalisation of our activities is impacting our ability to forecast revenue, as it depends on when new contracts are signed, which is often difficult to accurately predict in some international markets.

Our cash position remains strong with EUR 30.7m in cash and cash equivalents.

Overall, our financial performance is as expected, and the management finds the company's performance for financial year 2018/19 satisfactory.

Outlook

Systematic is entering financial year 2019/20 with a strong order book and a satisfactory number of identified and qualified market opportunities. However, the future financial results depend on licensing revenue, where the exact timing can be difficult to predict. Hence, there is some uncertainty regarding EBIT for the coming year, but the management expects an EBIT-margin slightly above financial year 2018/19, and is very confident about the long-term profitability of the company.

Particular risks

Systematic's business entails a number of commercial and financial risks, but no more than what is considered normal for an IT software and systems integrator such as Systematic. Overall, Systematic's management believes that the company is sufficiently geared to mitigating and managing its potential risk challenges.

Management commentary

Intellectual capital resources

As a professional software and systems integrator, Systematic is a people business. We depend on having highly skilled and knowledgeable employees, of whom 78% hold an academic degree in IT, software engineering, economics or other relevant field. In 2018/19, we employed 201 new employees, excluding students and interns, bringing the total number of full-time employees to 1,016 as at 30 September 2019. Of these new employees, 13% were former Systematic employees re-joining the company.

We are completely dependent on our talented workforce. Our ability to attract, retain and develop our employees is key to our continuing success. Therefore, we invest in efficient onboarding programmes and ongoing professional development. We are therefore proud of being ranked the third most sought-after IT company in Denmark by young professionals in a Kantar Gallup survey when asked about their preferred place of employment.

For the fifth time, an external assessment has confirmed that Systematic ranks high among elite international IT companies – we have scored the top-level rating – ‘5’ – in the CMMI maturity model (Capability Maturity Model Integrated), an international standard for maturity in software development processes. A total of 360 European companies are CMMI-rated, of which only 26 have obtained a Level 5 rating in software development. We are the only Scandinavian IT company that has achieved an appraisal in this top category. Moreover, Systematic is one of only a handful of companies worldwide that has succeeded in maintaining its CMMI Level 5 rating since 2005. This rating is very important for us when operating in international markets.

We are recognised internationally for our ability to optimise and improve the efficiency of software development processes through a combination of the CMMI model and agile development methods based on lean and scrum. For our customers, the combination of CMMI, lean and scrum means that we can act flexibly and interactively, and apply a well-documented collaboration model to generate measurable results quickly and efficiently. We have repeatedly demonstrated that flexibility and agile methods can be combined with the CMMI framework for a positive impact on structure, predictability and credibility. In financial year 2018/19, we completed more than 98% of our software deliveries on or before time.

Statutory report on corporate social responsibility

Our approach to CSR is firmly embedded in our corporate culture and core values. We respect the individual uniqueness of our employees, and offer equal opportunity for all job openings and for learning and professional and personal development. For a further description of our business model, please see the above section ‘A sustainable business model’.

In conducting our business, we aim to maintain high ethical standards, we strive to execute our activities with integrity and accountability, and we endeavour to comply with applicable legislation wherever we operate.

Systematic’s annual CSR report including the company’s position regarding CSR is described in detail on our website at www.systematic.com/CSR (statutory report on corporate social responsibility under Section 99a of the Danish Financial Statements Act).

Management commentary

Statutory report on the underrepresented gender

Our business – the software development industry – is in general a male-dominated field, unfortunately. Nevertheless, Systematic has for years focused on appointing ‘the best qualified’ people to its management positions regardless of gender.

The four current board members were reelected to the Board of Directors at the Annual General Meeting in 2018, all of them men. The objective for balanced representation is having 25% women no later than 2020. However, the key criteria for nominating candidates will be their competences and their ability to add value to Systematic’s strategy and growth opportunities. Since no new members were elected at the Annual General Meeting, the target was not met in 2018/19.

At the operational levels of management, we aim to enhance diversity. Our values and culture appeal to anyone who sets store by flexible working hours as well as the company’s focus on having a healthy work-life balance, flat hierarchy and transparency. In 2018/19, we employed six new female managers.

Our policy regarding the ‘under-represented gender’ states that our objective is that the relative percentage of females in management positions accounts for a minimum of half a percentage point of all the women employed at Systematic. We meet this objective. Currently, 30% of employees are women, and 16% of them hold management positions. Compared to last year, it represents an increase of one percentage point and a decrease of one percentage point, respectively. We find this development satisfactory, especially in light of the gender distribution among students at the universities where Systematic typically recruits. However, it is our ambition to continue to increase the proportion of women in management positions.

When recruiting, we encourage qualified female candidates to apply for vacant management positions, and during the recruitment process we invite these candidates for interview.

Events after the balance sheet date

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

Consolidated income statement for 2018/19

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Revenue	1	135,782,451	129,408,131
Cost of sales		(24,803,264)	(24,077,164)
Other external expenses		(17,867,675)	(17,689,009)
Gross profit/loss		93,111,512	87,641,958
Staff costs	2	(77,586,869)	(67,553,738)
Depreciation, amortisation and impairment losses	3	(3,354,212)	(2,976,960)
Operating profit/loss		12,170,431	17,111,260
Other financial income		48,040	163,513
Other financial expenses		(460,217)	(194,112)
Profit/loss before tax		11,758,254	17,080,661
Tax on profit/loss for the year	4	(3,048,279)	(4,050,646)
Profit/loss for the year	5	8,709,975	13,030,015

Consolidated balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Completed development projects		4,073,420	3,901,745
Acquired intangible assets		474,775	46,528
Goodwill		120,543	328,698
Intangible assets	6	<u>4,668,738</u>	<u>4,276,971</u>
Other fixtures and fittings, tools and equipment		2,298,334	2,512,851
Leasehold improvements		1,006,302	1,100,669
Property, plant and equipment	7	<u>3,304,636</u>	<u>3,613,520</u>
Other investments		397,860	398,383
Other receivables		929,795	987,434
Fixed asset investments	8	<u>1,327,655</u>	<u>1,385,817</u>
Fixed assets		<u>9,301,029</u>	<u>9,276,308</u>
Trade receivables		27,692,575	26,135,848
Contract work in progress	9	17,033,095	18,205,916
Other receivables		14,668,871	10,617,158
Prepayments		2,333,593	1,376,671
Receivables		<u>61,728,134</u>	<u>56,335,593</u>
Other investments		251,211	4,192,121
Other investments		<u>251,211</u>	<u>4,192,121</u>
Cash		<u>30,722,088</u>	<u>20,112,890</u>
Current assets		<u>92,701,433</u>	<u>80,640,604</u>
Assets		<u>102,002,462</u>	<u>89,916,912</u>

Consolidated balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Contributed capital		1,340,842	1,340,842
Retained earnings		45,946,789	41,084,409
Proposed dividend		4,018,108	3,352,824
Equity		<u>51,305,739</u>	<u>45,778,075</u>
Deferred tax	10	2,334,195	1,685,350
Provisions		<u>2,334,195</u>	<u>1,685,350</u>
Other payables	11	568,358	0
Non-current liabilities other than provisions		<u>568,358</u>	<u>0</u>
Contract work in progress	9	4,146,314	6,559,095
Trade payables		4,379,189	4,481,470
Income tax payable		1,765,482	5,350,866
Other payables	12	16,966,324	17,067,753
Deferred income	13	20,536,861	8,994,303
Current liabilities other than provisions		<u>47,794,170</u>	<u>42,453,487</u>
Liabilities other than provisions		<u>48,362,528</u>	<u>42,453,487</u>
Equity and liabilities		<u>102,002,462</u>	<u>89,916,912</u>
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Transactions with related parties	17		
Group relations	18		
Subsidiaries	19		

Consolidated statement of changes in equity for 2018/19

	Contributed capital EUR	Retained earnings EUR	Proposed dividend EUR	Total EUR
Equity beginning of year	1,340,842	41,084,409	3,352,824	45,778,075
Ordinary dividend paid	0	0	(3,348,424)	(3,348,424)
Exchange rate adjustments	0	170,513	(4,400)	166,113
Profit/loss for the year	0	4,691,867	4,018,108	8,709,975
Equity end of year	1,340,842	45,946,789	4,018,108	51,305,739

Consolidated cash flow statement for 2018/19

	<u>Notes</u>	<u>2018/19</u> <u>EUR</u>	<u>2017/18</u> <u>EUR</u>
Operating profit/loss		12,170,431	17,111,260
Amortisation, depreciation and impairment losses		3,354,212	2,976,960
Working capital changes	14	3,970,804	(15,084,660)
Cash flow from ordinary operating activities		19,495,447	5,003,560
Financial income received		48,040	163,513
Financial expenses paid		(460,217)	(194,112)
Income taxes refunded/(paid)		(5,984,818)	(10,115,191)
Cash flows from operating activities		13,098,452	(5,142,230)
Acquisition etc of intangible assets		(2,155,525)	(1,657,636)
Acquisition etc of property, plant and equipment		(1,392,200)	(2,093,003)
Sale of property, plant and equipment		189,635	0
Acquisition of fixed asset investments		(55,197)	(173,036)
Sale of fixed asset investments		111,540	0
Cash flows from investing activities		(3,301,747)	(3,923,675)
Dividend paid		(3,348,424)	(26,926,524)
Cash flows from financing activities		(3,348,424)	(26,926,524)
Increase/decrease in cash and cash equivalents		6,448,281	(35,992,429)
Cash and cash equivalents beginning of year		24,305,011	60,144,226
Currency translation adjustments of cash and cash equivalents		220,007	153,214
Cash and cash equivalents end of year		30,973,299	24,305,011
Cash and cash equivalents at year-end are composed of:			
Cash		30,722,088	20,112,890
Securities		251,211	4,192,121
Cash and cash equivalents end of year		30,973,299	24,305,011

Notes to consolidated financial statements

1. Revenue

The Group's segments are business segments and geographical markets.

The Group's primary business segment in general consist of delivery of reliable and straightforward IT solutions and products. Secondary business segments are immaterial. Management wishes with regard to the Danish Financial Statements Act § 96 not to give additional information about the business and geographical breakdown of revenue ad a detailed breakdown of Group sales will be significantly harm the competitive situation.

The Group has no discontinued operations.

	2018/19 EUR	2017/18 EUR
2. Staff costs		
Wages and salaries	71,683,548	62,297,570
Pension costs	3,582,512	3,267,077
Other social security costs	2,192,499	1,878,259
Other staff costs	128,310	110,832
	77,586,869	67,553,738
Average number of employees	926	805
	Remuneration of management 2018/19 EUR	Remuneration of management 2017/18 EUR
Total amount for management categories	916,021	1,011,248
	916,021	1,011,248
	2018/19 EUR	2017/18 EUR
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,758,144	1,839,993
Depreciation of property, plant and equipment	1,551,251	1,136,967
Profit/loss from sale of intangible assets and property, plant and equipment	44,817	0
	3,354,212	2,976,960

Notes to consolidated financial statements

	2018/19 EUR	2017/18 EUR
4. Tax on profit/loss for the year		
Current tax	2,380,059	6,028,509
Change in deferred tax	648,845	(1,950,633)
Adjustment concerning previous years	19,375	(27,230)
	3,048,279	4,050,646

	2018/19 EUR	2017/18 EUR
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4,018,108	3,352,824
Retained earnings	4,691,867	9,677,191
	8,709,975	13,030,015

	Completed develop- ment projects EUR	Acquired intangible assets EUR	Goodwill EUR
6. Intangible assets			
Cost beginning of year	14,175,801	2,441,641	1,350,746
Exchange rate adjustments	0	(3,205)	0
Additions	1,698,588	456,937	0
Cost end of year	15,874,389	2,895,373	1,350,746
Amortisation and impairment losses beginning of year	(10,274,056)	(2,395,113)	(1,022,480)
Exchange rate adjustments	(5,121)	3,144	0
Amortisation for the year	(1,521,792)	(28,629)	(207,723)
Amortisation and impairment losses end of year	(11,800,969)	(2,420,598)	(1,230,203)
Carrying amount end of year	4,073,420	474,775	120,543

Development projects

Completed development projects relates to software for the Defense segment. Revenue and earnings on the product marketed and sold worldwide have since the launch exceeded expectations in budgets and forecasts, and thus there are no identified indicators of impairment.

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment EUR	Leasehold improve- ments EUR
7. Property, plant and equipment		
Cost beginning of year	9,210,680	2,382,569
Exchange rate adjustments	(25,908)	(5,432)
Additions	1,155,231	236,696
Disposals	(339,831)	(10,892)
Cost end of year	10,000,172	2,602,941
Depreciation and impairment losses beginning of year	(6,697,829)	(1,281,900)
Exchange rate adjustments	22,610	3,988
Depreciation for the year	(1,227,084)	(324,167)
Reversal regarding disposals	200,465	5,440
Depreciation and impairment losses end of year	(7,701,838)	(1,596,639)
Carrying amount end of year	2,298,334	1,006,302
	Other investments EUR	Other receivables EUR
8. Fixed asset investments		
Cost beginning of year	398,383	987,434
Exchange rate adjustments	(523)	(1,296)
Additions	0	55,197
Disposals	0	(111,540)
Cost end of year	397,860	929,795
Carrying amount end of year	397,860	929,795
	2018/19 EUR	2017/18 EUR
9. Contract work in progress		
Contract work in progress	110,646,766	89,408,980
Progress billings regarding contract work in progress	(97,759,985)	(76,758,577)
Transferred to liabilities other than provisions	4,146,314	5,555,513
	17,033,095	18,205,916

Notes to consolidated financial statements

	2018/19	2017/18
	EUR	EUR
10. Deferred tax		
Intangible assets	1,000,643	858,384
Property, plant and equipment	(117,789)	(80,189)
Receivables	1,612,869	907,155
Liabilities other than provisions	(161,528)	0
	2,334,195	1,685,350
Changes during the year		
Beginning of year	1,685,350	
Recognised in the income statement	648,845	
End of year	2,334,195	
	2018/19	2017/18
	EUR	EUR
11. Other long-term payables		
Holiday pay obligation	568,358	0
	568,358	0
	2018/19	2017/18
	EUR	EUR
12. Other short-term payables		
VAT and duties	1,566,094	1,343,304
Wages and salaries, personal income taxes, social security costs, etc payable	3,621,901	2,624,430
Holiday pay obligation	8,604,184	9,002,375
Other costs payable	3,174,145	4,097,644
	16,966,324	17,067,753
13. Short-term deferred income		
Prepayments and accrued income related to service contracts.		
	2018/19	2017/18
	EUR	EUR
14. Change in working capital		
Increase/decrease in receivables	(4,623,276)	(12,249,045)
Increase/decrease in trade payables etc	8,594,080	(2,835,615)
	3,970,804	(15,084,660)

Notes to consolidated financial statements

	<u>2018/19</u> <u>EUR</u>	<u>2017/18</u> <u>EUR</u>
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>12,600,473</u>	<u>4,148,197</u>
	<u>2018/19</u> <u>EUR</u>	<u>2017/18</u> <u>EUR</u>
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	<u>829,967</u>	<u>830,697</u>
Contingent liabilities in total	<u>829,967</u>	<u>830,697</u>

The company is part of a Danish joint taxation with Michael Holm Holding ApS as the tax principal. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is liable for income taxes etc. for the jointly taxed enterprises and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total net tax liability is incorporated in the accounts for Michael Holm Holding ApS.

17. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Michael Holm Holding ApS, Aarhus, CVR-nr. 39391996.

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>
19. Subsidiaries			
Systematic Software Engineering Ltd.	Surrey, England	Ltd.	100.0
Systematic Software Engineering Inc.	Virginia, USA	Inc.	100.0
Systematic OY Finland	Tampere, Finland	OY	100.0
Systematic Sweden AB	Stockholm, Sweden	AB	100.0
Systematic GmbH	Cologne, Germany	GmbH	100.0
Systematic Canada Inc.	Ottawa, Canada	Inc.	100.0
Systematic France SAS	Paris, France	SAS	100.0
Systematic New Zealand Ltd.	Wellington, New Zealand	Ltd.	100.0
Systematic Development Center SRL	Bucharest, Romania	SRL	100.0
Systematic Library & Learning Holding A/S	Aarhus, Denmark	A/S	100.0
- Systematic Library & Learning A/S	Aarhus, Denmark	A/S	100.0
- Dantek AB	Växjö, Sweden	AB	100.0
- Dantek GmbH	Cologne, Germany	GmbH	100.0

Parent income statement for 2018/19

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Revenue	1	116,123,589	111,434,448
Cost of sales		(30,397,998)	(26,295,026)
Other external expenses		(12,962,174)	(12,996,099)
Gross profit/loss		72,763,417	72,143,323
Staff costs	2	(60,481,726)	(53,440,199)
Depreciation, amortisation and impairment losses	3	(2,622,378)	(2,514,102)
Operating profit/loss		9,659,313	16,189,022
Income from investments in group enterprises		1,504,617	767,348
Other financial income		48,040	352,046
Other financial expenses		(453,428)	(388,061)
Profit/loss before tax		10,758,542	16,920,355
Tax on profit/loss for the year	4	(2,048,567)	(3,890,340)
Profit/loss for the year	5	8,709,975	13,030,015

Parent balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Completed development projects		4,073,419	3,901,745
Acquired intangible assets		474,850	46,528
Intangible assets	6	4,548,269	3,948,273
Other fixtures and fittings, tools and equipment		1,600,590	1,548,866
Leasehold improvements		683,711	580,580
Property, plant and equipment	7	2,284,301	2,129,446
Investments in group enterprises		11,545,249	9,827,333
Other investments		397,860	398,383
Other receivables		867,555	814,560
Fixed asset investments	8	12,810,664	11,040,276
Fixed assets		19,643,234	17,117,995
Trade receivables		12,943,759	19,729,071
Contract work in progress	9	16,362,143	16,708,348
Receivables from group enterprises		11,029,701	6,843,841
Other receivables		13,812,062	10,065,104
Prepayments	10	1,940,730	1,171,277
Receivables		56,088,395	54,517,641
Other investments		0	3,931,465
Other investments		0	3,931,465
Cash		7,643,193	11,431,916
Current assets		63,731,588	69,881,022
Assets		83,374,822	86,999,017

Parent balance sheet at 30.09.2019

	<u>Notes</u>	<u>2018/19 EUR</u>	<u>2017/18 EUR</u>
Contributed capital		1,340,842	1,340,842
Reserve for net revaluation according to the equity method		7,204,852	5,481,232
Reserve for development expenditure		2,628,515	1,909,756
Retained earnings		36,113,422	33,693,423
Proposed dividend		4,018,108	3,352,824
Equity		51,305,739	45,778,077
Deferred tax	11	2,351,129	1,709,672
Provisions		2,351,129	1,709,672
Other payables	12	554,582	0
Non-current liabilities other than provisions		554,582	0
Contract work in progress	9	3,827,408	5,555,513
Trade payables		3,623,229	4,043,674
Payables to group enterprises		2,201,610	2,421,045
Income tax payable		1,320,466	5,568,370
Other payables	13	14,008,769	14,037,151
Deferred income	14	4,181,890	7,885,515
Current liabilities other than provisions		29,163,372	39,511,268
Liabilities other than provisions		29,717,954	39,511,268
Equity and liabilities		83,374,822	86,999,017
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2018/19

	Contributed capital EUR	Reserve for net revaluation according to the equity method EUR	Reserve for development expenditure EUR	Retained earnings EUR
Equity beginning of year	1,340,842	5,481,232	1,909,756	33,693,423
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	219,003	0	(48,492)
Transfer to reserves	0	0	718,759	(718,759)
Profit/loss for the year	0	1,504,617	0	3,187,250
Equity end of year	1,340,842	7,204,852	2,628,515	36,113,422

	Proposed dividend EUR	Total EUR
Equity beginning of year	3,352,824	45,778,077
Ordinary dividend paid	(3,348,424)	(3,348,424)
Exchange rate adjustments	(4,400)	166,111
Transfer to reserves	0	0
Profit/loss for the year	4,018,108	8,709,975
Equity end of year	4,018,108	51,305,739

Notes to parent financial statements

1. Revenue

The company's segments are business segments and geographical markets.

The company's primary business segment in general consists of delivery of reliable and straightforward IT solutions and products. Secondary business segments are immaterial. Management wishes with regard to the Danish Financial Statements Act § 96 not to give additional information about the business and geographical breakdown of revenue as a detailed breakdown of a company sales will be significantly harm the competitive situation.

The company has no discontinued operations.

	2018/19 EUR	2017/18 EUR
2. Staff costs		
Wages and salaries	55,243,581	48,752,276
Pension costs	3,150,518	2,798,273
Other social security costs	646,693	517,447
Other staff costs	1,440,934	1,372,203
	60,481,726	53,440,199
Average number of employees	690	615
	Remunera- tion of manage- ment 2018/19 EUR	Remunera- tion of manage- ment 2017/18 EUR
Total amount for management categories	889,198	1,011,248
	889,198	1,011,248
	2018/19 EUR	2017/18 EUR
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,550,421	1,563,138
Depreciation of property, plant and equipment	1,086,318	950,964
Profit/loss from sale of intangible assets and property, plant and equipment	(14,361)	0
	2,622,378	2,514,102

Notes to parent financial statements

	2018/19 EUR	2017/18 EUR
4. Tax on profit/loss for the year		
Current tax	1,387,735	5,865,773
Change in deferred tax	641,457	(1,948,203)
Adjustment concerning previous years	19,375	(27,230)
	2,048,567	3,890,340
	2018/19 EUR	2017/18 EUR
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	4,018,108	3,352,824
Transferred to reserve for net revaluation according to the equity method	1,504,617	767,348
Retained earnings	3,187,250	8,909,843
	8,709,975	13,030,015
	Completed develop- ment projects EUR	Acquired intangible assets EUR
6. Intangible assets		
Cost beginning of year	13,739,934	2,441,641
Exchange rate adjustments	(18,035)	(3,205)
Additions	1,698,588	457,012
Cost end of year	15,420,487	2,895,448
Amortisation and impairment losses beginning of year	(9,838,189)	(2,395,113)
Exchange rate adjustments	12,913	3,144
Amortisation for the year	(1,521,792)	(28,629)
Amortisation and impairment losses end of year	(11,347,068)	(2,420,598)
Carrying amount end of year	4,073,419	474,850

Development projects

Completed development projects relates to software for the Defense segment. Revenue and earnings on the product marketed and sold worldwide have since the launch exceeded expectations in budgets and forecasts, and thus there are no identified indicators of impairment.

Notes to parent financial statements

	Other fixtures and fittings, tools and equipment EUR	Leasehold improve- ments EUR	
7. Property, plant and equipment			
Cost beginning of year	7,030,543	1,749,376	
Exchange rate adjustments	(9,229)	(2,296)	
Additions	937,619	306,349	
Cost end of year	7,958,933	2,053,429	
Depreciation and impairment losses beginning of year	(5,481,677)	(1,168,796)	
Exchange rate adjustments	7,196	1,534	
Depreciation for the year	(883,862)	(202,456)	
Depreciation and impairment losses end of year	(6,358,343)	(1,369,718)	
Carrying amount end of year	1,600,590	683,711	
	Invest- ments in group enterprises EUR	Other investments EUR	Other receivables EUR
8. Fixed asset investments			
Cost beginning of year	4,346,100	398,383	814,560
Exchange rate adjustments	(5,704)	(523)	(1,069)
Additions	0	0	55,197
Disposals	0	0	(1,133)
Cost end of year	4,340,396	397,860	867,555
Revaluations beginning of year	5,481,233	0	0
Exchange rate adjustments	219,003	0	0
Amortisation of goodwill	(203,895)	0	0
Share of profit/loss for the year	1,708,512	0	0
Revaluations end of year	7,204,853	0	0
Carrying amount end of year	11,545,249	397,860	867,555

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

Notes to parent financial statements

	2018/19 EUR	2017/18 EUR
9. Contract work in progress		
Contract work in progress	102,430,610	83,085,896
Progress billings regarding contract work in progress	(89,895,875)	(71,933,061)
Transferred to liabilities other than provisions	3,827,408	5,555,513
	16,362,143	16,708,348

10. Prepayments

Prepayments recognized under assets comprise incurred costs relating to subsequent financial years.

	2018/19 EUR	2017/18 EUR
11. Deferred tax		
Intangible assets	1,000,643	858,384
Property, plant and equipment	(100,855)	(55,866)
Receivables	1,612,869	907,154
Liabilities other than provisions	(161,528)	0
	2,351,129	1,709,672

Changes during the year

Beginning of year	1,709,672
Recognised in the income statement	641,457
End of year	2,351,129

	2018/19 EUR	2017/18 EUR
12. Other long-term payables		
Holiday pay obligation	554,582	0
	554,582	0

	2018/19 EUR	2017/18 EUR
13. Other payables		
VAT and duties	1,307,667	1,429,541
Wages and salaries, personal income taxes, social security costs, etc payable	2,063,769	1,630,083
Holiday pay obligation	8,067,530	8,462,224
Other costs payable	2,569,803	2,515,303
	14,008,769	14,037,151

Notes to parent financial statements

14. Deferred income

Prepayments and accrued income related to service contracts.

	2018/19	2017/18
	EUR	EUR
15. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	11,023,542	2,107,397
	2018/19	2017/18
	EUR	EUR
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	734,001	734,900
Contingent liabilities in total	734,001	734,900

The company is part of a Danish joint taxation with Michael Holm Holding ApS as the tax principal. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is liable for income taxes etc. for the jointly taxed enterprises and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total tax liability is incorporated in the accounts for Michael Holm Holding ApS.

17. Related parties with controlling interest

Michael Holm, Lindevangsvej 17, 8240 Risskov possess through Michael Holm Holding ApS, Aarhus, CVR-nr. 39391996, Michael Holm Holding II ApS, Aarhus, CVR-nr. 40894799 and Systematic Holding ApS, Aarhus, CVR-nr. 19000680, majority of votes at the general meeting, and has therefore like Michael Holm Holding ApS, Michael Holm Holding II ApS and Systematic Holding ApS controlling interest.

18. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

Accounting policies

Reporting class

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

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year, though with few reclassifications.

Recognition and measurement

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

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

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

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

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

For the foreign subsidiaries, the items in the income statement have been included at the exchange rate on the transaction date. The balance sheet is converted at the rate of exchange at year end. The exchange rate adjustments arising from the translation of the subsidiaries' equity at the beginning of the financial year to the exchange rate at the end of the financial year, and the exchange rate difference arising from the Translation of the income statement from the exchange rate ruling on the transaction date to the exchange rate

Accounting policies

at end of the financial year, are dealt with in the equity for the Group.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

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

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Accounting policies

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales includes direct project costs incurred for achieving the revenue. Project costs concerning contract work in progress is recognized as incurred and is measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

These items comprise interest income realised and unrealised capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme.

Other financial expenses

These items comprise interest expenses, the interest portion of finance lease payments, realised and unrealised capital losses on securities, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme.

Tax on profit/loss for the year

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

Accounting policies

the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights.

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. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

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

Property, plant and equipment

Machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of

Accounting policies

the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5-20 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reas-sessed annually. The amortisation periods used are 5 years..

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the

Accounting policies

individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other investments

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

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

Operating leases

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

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's

Accounting policies

taxable income, adjusted for prepaid tax.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

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

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

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

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.