



Donkeyrepublic Holding ApS

Christian IX's Gade 7, 5.
1111 Copenhagen
CVR No. 35678263

Annual report 2020

The Annual General Meeting adopted the
annual report on 15.04.2021

Trine Damsgaard Vissing

Chairman of the General Meeting

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Entity details

Entity

Donkeyrepublic Holding ApS

Christian IX's Gade 7, 5.

1111 Copenhagen

Business Registration No.: 35678263

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Caroline Søeborg Ahlefeldt-Laurvig-Bille, Chairman

Jens Kramer Mikkelsen

Henrik Starup

Jesper Lilledal Holmgaard

Sascha Hausmann

Karl Erik Wenngren

Executive Board

Erdem Ovacik, CEO

Christian Dufft

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Lead Client Service Partner: Bjørn Winkler Jakobsen

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Donkeyrepublic Holding ApS for the financial year 01.01.2020 - 31.12.2020

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations for the financial year 01.01.2020 - 31.12.2020.

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.

Copenhagen, 30.03.2021

Executive Board

Erdem Ovacik
CEO

Christian Dufft

Board of Directors

Caroline Søbørg Ahlefeldt-Laurvig-Bille
Chairman

Jens Kramer Mikkelsen

Henrik Starup

Jesper Lilledal Holmgaard

Sascha Hausmann

Karl Erik Wenngren

Independent auditor's report

To the shareholders of Donkeyrepublic Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Donkeyrepublic Holding ApS for the financial year 01.01.2020 - 31.12.2020, 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. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020 and of the results of their operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

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

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

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the 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 can arise from fraud or error

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 30.03.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Juul Hansen

State Authorised Public Accountant
Identification No (MNE) mne44386

Management commentary

Primary activities

The primary activity of the Group is development of software which enables the rental of bikes, to operate this software and to own the bikes being rented.

The primary activity of the parent company is to develop software which enables the rental of bikes and to act as a holding company.

Development in activities and finances

Even though COVID had a strong negative impact on rider activity in 2020, the group managed to keep the operational result on a stable level, with a positive gross profit. This is due to an improvement of the underlying growth drivers, diversified and resilient revenue streams and a lean and agile cost structures.

The biggest impact of COVID was seen on the number of rides taken by tourists, which declined by appr. -60% compared to the previous year and had an adverse effect on the group's revenue. The number of rides by locals stayed stable compared to the previous year, which underscores our mission of becoming an integral part of the day-to-day mobility in cities.

Despite a COVID related slowdown of our partners and potential partners' business activities, Donkey Republic managed to increase its recurring non-rider revenue (e.g., license fees for using the app or public financing) compared to the previous years.

In total the Group had a revenue of DKK 21,6 Million (-35% vs. 2019). Thanks to the above outlined better revenue mix and a leaner cost structure, (most of) the revenue decline was compensated, so that the gross margin remained positive and stayed with DKK 5,9 million slightly higher than last year (DKK 5,2 million in 2019).

The Group has also invested in its organization and the continuous development of our soft- and hardware. Developments in 2020 include features like the wallet and customer referral scheme, a bike rebalancing algorithm, and brought to market its generation 3 bike design. This allows us to better fit the needs of our customers and partners both now and in the future. On the sales front, besides increasing the number of partners and licenses, our sales activities and investments paid off deal pipeline growth. Our sales pipeline is worth twenty-fold by end of 2020 compared to 2019, and we are optimistic about our growth in the coming months given the strong interest in the market.

Overall, the consolidated income statement shows a loss of DKK -26,1 million (vs. DKK -19,5 million in 2019), which was above expectations, that were revised due to COVID. The balance sheet shows an equity of DKK 8,0 million.

For 2021 our expectation is that we can continue to grow our own and partner network and achieve a result significantly better than in 2020. COVID however remains the main uncertainty in the short term for the business.

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 2020

	Notes	2020 DKK	2019 DKK
Revenue		21,649,270	33,351,520
Other operating income	1	2,503,552	311,349
Cost of sales		(8,006,425)	(17,176,882)
Other external expenses		(8,548,779)	(11,274,342)
Gross profit/loss		7,597,618	5,211,645
Staff costs	2	(18,841,972)	(14,032,831)
Depreciation, amortisation and impairment losses	3	(12,619,331)	(10,122,390)
Operating profit/loss		(23,863,685)	(18,943,576)
Other financial income	4	123,908	57,884
Other financial expenses	5	(3,036,963)	(1,279,919)
Profit/loss before tax		(26,776,740)	(20,165,611)
Tax on profit/loss for the year	6	640,920	677,284
Profit/loss for the year		(26,135,820)	(19,488,327)
Proposed distribution of profit and loss			
Retained earnings		(26,135,820)	(19,488,327)
Proposed distribution of profit and loss		(26,135,820)	(19,488,327)

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	8	8,555,067	8,513,188
Development projects in progress	8	1,197,148	0
Prepayments for intangible assets		229,618	0
Intangible assets	7	9,981,833	8,513,188
Other fixtures and fittings, tools and equipment		21,155,575	30,332,199
Leasehold improvements		13,593	22,605
Property, plant and equipment	9	21,169,168	30,354,804
Deposits		575,328	548,031
Financial assets	10	575,328	548,031
Fixed assets		31,726,329	39,416,023
Manufactured goods and goods for resale		1,158,659	915,900
Prepayments for goods		2,901,540	1,281,400
Inventories		4,060,199	2,197,300
Trade receivables		2,868,032	1,916,441
Deferred tax		0	429,000
Other receivables		1,777,244	837,624
Tax receivable		1,075,686	1,100,284
Prepayments		0	370,018
Receivables		5,720,962	4,653,367
Cash		7,532,825	12,941,797
Current assets		17,313,986	19,792,464
Assets		49,040,315	59,208,487

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital	11	298,166	244,677
Reserve for development costs		7,606,728	6,904,858
Retained earnings		94,741	15,424,461
Equity		7,999,635	22,573,996
Debt to other credit institutions		5,207,510	0
Convertible and profit-sharing debt instruments		5,769,952	3,758,829
Other payables		8,052,317	7,965,646
Non-current liabilities other than provisions	12	19,029,779	11,724,475
Current portion of non-current liabilities other than provisions	12	10,155,677	15,180,052
Trade payables		3,926,488	3,870,675
Payables to owners and management		213,960	213,960
Other payables		4,666,822	4,737,418
Deferred income		3,047,954	907,911
Current liabilities other than provisions		22,010,901	24,910,016
Liabilities other than provisions		41,040,680	36,634,491
Equity and liabilities		49,040,315	59,208,487
Unrecognised rental and lease commitments	13		
Assets charged and collateral	14		
Subsidiaries	15		

Consolidated statement of changes in equity for 2020

	Contributed capital DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	244,677	6,904,858	15,424,461	22,573,996
Increase of capital	53,489	0	11,714,110	11,767,599
Exchange rate adjustments	0	0	(206,140)	(206,140)
Transfer to reserves	0	701,870	(701,870)	0
Profit/loss for the year	0	0	(26,135,820)	(26,135,820)
Equity end of year	298,166	7,606,728	94,741	7,999,635

Notes to consolidated financial statements

1 Other operating income

Other operating income includes COVID-19 related compensation for fixed cost of DKK 714,268 and salary compensation of DKK 1,274,734.

2 Staff costs

	2020	2019
	DKK	DKK
Wages and salaries	18,795,789	14,956,503
Pension costs	1,043,949	16,456
Other social security costs	427,861	505,829
Other staff costs	122,505	558,455
	20,390,104	16,037,243
Staff costs classified as assets	(1,548,132)	(2,004,412)
	18,841,972	14,032,831
Average number of full-time employees	60	40

3 Depreciation, amortisation and impairment losses

	2020	2019
	DKK	DKK
Amortisation of intangible assets	2,993,650	2,171,150
Depreciation on property, plant and equipment	9,651,677	7,310,116
Impairment losses on property, plant and equipment	(25,996)	552,436
Profit/loss from sale of intangible assets and property, plant and equipment	0	88,688
	12,619,331	10,122,390

4 Other financial income

	2020	2019
	DKK	DKK
Exchange rate adjustments	123,908	57,884
	123,908	57,884

5 Other financial expenses

	2020 DKK	2019 DKK
Other interest expenses	2,746,524	1,120,862
Exchange rate adjustments	290,439	159,057
	3,036,963	1,279,919

6 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(1,069,920)	(1,100,284)
Change in deferred tax	429,000	423,000
	(640,920)	(677,284)

7 Intangible assets

	Completed development projects DKK	Development projects in progress DKK	Prepayments for intangible assets DKK
Cost beginning of year	13,345,412	0	0
Additions	2,928,375	1,197,148	229,618
Cost end of year	16,273,787	1,197,148	229,618
Amortisation and impairment losses beginning of year	(4,725,070)	0	0
Amortisation for the year	(2,993,650)	0	0
Amortisation and impairment losses end of year	(7,718,720)	0	0
Carrying amount end of year	8,555,067	1,197,148	229,618

8 Development projects

The entity's development projects relate to the development and improvement of the DonkeyRepublic platform and app. The platform is an important part in realizing the long-term growth strategy for the group.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	45,305,696	27,011
Additions	4,743,995	0
Disposals	(5,224,678)	0
Cost end of year	44,825,013	27,011
Depreciation and impairment losses beginning of year	(14,894,710)	(4,406)
Reversal of impairment losses	25,996	0
Depreciation for the year	(9,642,665)	(9,012)
Reversal regarding disposals	841,941	0
Depreciation and impairment losses end of year	(23,669,438)	(13,418)
Carrying amount end of year	21,155,575	13,593

10 Financial assets

	Deposits DKK
Cost beginning of year	548,031
Additions	27,297
Cost end of year	575,328
Carrying amount end of year	575,328

11 Contributed capital

	Number	Par value DKK	Nominal value DKK
A-shares	71,429	1	71,429
B-shares	226,737	1	226,737
	298,166		298,166

Contributed capital for the financial year 2020 amounts to 53.489 nominally.

The Entity has established a warrant program for its employees. Total committed and planned warrants amount to nominal shares of 41.910 with a further 2.814 nominal shares available warrants. The warrants allow employees the option to purchase shares at a fixed price. The vesting period is different from employee to employee but is generally 48 months. The exercise price is set at either DKK 1 (only for those who joined before July 2016), DKK 220 Per share, DKK 342 per share or 456 DKK per share.

12 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Debt to other credit institutions	0	0	5,207,510	0
Convertible and profit-sharing debt instruments	6,001,561	11,297,287	5,769,952	1,900,000
Other payables	4,154,116	3,882,765	8,052,317	0
	10,155,677	15,180,052	19,029,779	1,900,000

13 Unrecognised rental and lease commitments

	2020 DKK	2019 DKK
Total liabilities under rental or lease agreements until maturity	897,316	1,491,170

14 Assets charged and collateral

A floating charge of nominally DKK 12.750k has been provided to Vækstfonden. The floating charge provides collateral in intangible assets, property, plant and equipment, inventories and trade receivables across DonkeyRepublic Admin ApS, DonkeyRepublic Bike ApS and DonkeyRepublic Holding ApS. The book value of assets charged as collateral amounts to DKK 38.079k in total for the Group. The assets are charged as collateral against loans from Vækstfonden across the three Companies.

Furthermore, a negative pledge have been made in favor of Vækstfonden, which ensures that no other debtor can post a collateral in the Group's assets.

15 Subsidiaries

	Registered in	Corporate form	Ownership %
Donkeyrepublic Bike Aps	Copenhagen	ApS	100,0
Donkeyrepublic Admin ApS	Copenhagen	ApS	100,0
Smart Cycles SLA	Barcelona	SLA	100,0
Donkeyrepublic NL	Utrecht	B.V	100,0
Donkeyrepublic Bike NL	Utrecht	B.V	100,0
Donkeyrepublic Gmbh	Berlin	Gmbh	100,0
DonkeyRepublic Hungary	Budapest	Ktf	100,0

Parent income statement for 2020

	Notes	2020 DKK	2019 DKK
Revenue		446,988	484,844
Other operating income		514,550	311,349
Cost of sales		0	(13,175)
Other external expenses		(1,144,447)	(1,174,609)
Gross profit/loss		(182,909)	(391,591)
Depreciation, amortisation and impairment losses	1	(3,067,251)	(2,238,786)
Operating profit/loss		(3,250,160)	(2,630,377)
Other financial income	2	975,108	762,847
Other financial expenses	3	(1,341,379)	(93,720)
Profit/loss before tax		(3,616,431)	(1,961,250)
Tax on profit/loss for the year	4	213,732	203,508
Profit/loss for the year		(3,402,699)	(1,757,742)
Proposed distribution of profit and loss			
Retained earnings		(3,402,699)	(1,757,742)
Proposed distribution of profit and loss		(3,402,699)	(1,757,742)

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK	2019 DKK
Completed development projects	6	8,961,889	8,716,125
Development projects in progress	6	1,305,080	0
Intangible assets	5	10,266,969	8,716,125
Investments in group enterprises		65,148,797	37,915,707
Financial assets	7	65,148,797	37,915,707
Fixed assets		75,415,766	46,631,832
Trade receivables		1,375	67,990
Receivables from group enterprises		0	13,015,196
Other receivables		840,831	274,759
Tax receivable		213,732	203,508
Receivables		1,055,938	13,561,453
Cash		3,402,463	9,612,394
Current assets		4,458,401	23,173,847
Assets		79,874,167	69,805,679

Equity and liabilities

	Notes	2020 DKK	2019 DKK
Contributed capital		298,166	244,677
Reserve for development costs		8,008,236	6,560,455
Retained earnings		44,327,977	37,464,347
Equity		52,634,379	44,269,479
Convertible and profit-sharing debt instruments		5,769,952	3,758,829
Non-current liabilities other than provisions	8	5,769,952	3,758,829
Current portion of non-current liabilities other than provisions	8	6,001,561	11,297,287
Trade payables		102,432	775,429
Payables to group enterprises		14,720,689	8,754,459
Payables to owners and management		213,960	213,960
Deferred income	9	431,194	736,236
Current liabilities other than provisions		21,469,836	21,777,371
Liabilities other than provisions		27,239,788	25,536,200
Equity and liabilities		79,874,167	69,805,679
Contingent liabilities	10		
Assets charged and collateral	11		

Parent statement of changes in equity for 2020

	Contributed capital DKK	Reserve for development costs DKK	Retained earnings DKK	Total DKK
Equity beginning of year	244,677	6,560,455	37,464,347	44,269,479
Increase of capital	53,489	0	11,714,110	11,767,599
Transfer to reserves	0	1,447,781	(1,447,781)	0
Profit/loss for the year	0	0	(3,402,699)	(3,402,699)
Equity end of year	298,166	8,008,236	44,327,977	52,634,379

Notes to parent financial statements

1 Depreciation, amortisation and impairment losses

	2020 DKK	2019 DKK
Amortisation of intangible assets	3,067,251	2,238,786
	3,067,251	2,238,786

2 Other financial income

	2020 DKK	2019 DKK
Financial income from group enterprises	975,108	762,355
Exchange rate adjustments	0	492
	975,108	762,847

3 Other financial expenses

	2020 DKK	2019 DKK
Financial expenses from group enterprises	411,162	0
Other interest expenses	928,171	91,840
Exchange rate adjustments	2,046	1,880
	1,341,379	93,720

4 Tax on profit/loss for the year

	2020 DKK	2019 DKK
Current tax	(213,732)	(203,508)
	(213,732)	(203,508)

5 Intangible assets

	Completed development projects DKK	Development projects in progress DKK
Cost beginning of year	13,631,981	0
Additions	3,313,014	1,305,080
Cost end of year	16,944,995	1,305,080
Amortisation and impairment losses beginning of year	(4,915,855)	0
Amortisation for the year	(3,067,251)	0
Amortisation and impairment losses end of year	(7,983,106)	0
Carrying amount end of year	8,961,889	1,305,080

6 Development projects

The entity's development projects relate to the development and improvement of the DonkeyRepublic platform and app. The platform is an important part in realizing the long-term growth strategy for the entity and its subsidiaries.

7 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	37,915,707
Additions	27,233,090
Cost end of year	65,148,797
Carrying amount end of year	65,148,797

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

8 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK	Due within 12 months 2019 DKK	Due after more than 12 months 2020 DKK	Outstanding after 5 years 2020 DKK
Convertible and profit-sharing debt instruments	6,001,561	11,297,287	5,769,952	1,900,000
	6,001,561	11,297,287	5,769,952	1,900,000

9 Deferred income

Deferred income relates to grants received in relation to development projects, which are recognized in the income statement over the relevant assets' depreciation period.

10 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

The company has issued letters of support for its two subsidiaries, DonkeyRepublic Admin ApS and DonkeyRepublic Bike ApS, whereby it has undertaken the obligation to provide the necessary cash and capital to ensure that the subsidiaries will be able to continue operating.

11 Assets charged and collateral

A floating charge of nominally DKK 12.750k has been provided to Vækstfonden. The floating charge provides collateral in intangible assets, property, plant and equipment, inventories and trade receivables across DonkeyRepublic Admin ApS, DonkeyRepublic Bike ApS and DonkeyRepublic Holding ApS. The book value of assets charged as collateral amounts to DKK 10.268k in DonkeyRepublic Holding ApS. The assets are charged as collateral against loans from Vækstfonden across the three Companies.

Furthermore, a negative pledge have been made in favor of Vækstfonden, which ensures that no other debtor can post a colleteral in the entity's assets.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

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.

Basis of consolidation

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

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

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Income statement

Revenue

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Intellectual property rights etc.

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

intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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 period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

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

Property, plant and equipment

Plant and 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 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 years
Leasehold improvements	5 years

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

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

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and

costs incurred to execute sale.

Receivables

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

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

Tax payable or receivable

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Deferred income

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