



Sybo ApS

Jorcks Passage 1, 4.
1162 København K
CVR No. 33858183

Annual report 2020

The Annual General Meeting adopted the
annual report on 18.06.2021

Mathias Gredal Nørvig

Chairman of the General Meeting

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Entity details

Entity

Sybo ApS

Jorcks Passage 1, 4.

1162 København K

CVR No.: 33858183

Registered office: Copenhagen

Financial year: 01.01.2020 - 31.12.2020

Executive Board

Mathias Gredal Nørvig, ceo

Erik Sylvester Rishøj Jensen

Bodie Daniel Jahn-Mulliner

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Executive Board has today considered and approved the annual report of Sybo 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows 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, 18.06.2021

Executive Board

Mathias Gredal Nørvig
ceo

Erik Sylvester Rishøj Jensen

Bodie Daniel Jahn-Mulliner

Independent auditor's report

To the shareholders of Sybo ApS

Opinion

We have audited the financial statements of Sybo ApS for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 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 financial statements" section of this auditor's report. We are independent of the Entity 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 financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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 financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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, 18.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bjørn Winkler Jakobsen

State Authorised Public Accountant
Identification No (MNE) mne32127

Management commentary

Financial highlights

| | 2020 DKK'000 | 2019 DKK'000 | 2018 DKK'000 | 2017 DKK'000 | 2016 DKK'000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Key figures | | | | | |
| Gross profit/loss | 108,866 | 76,827 | 59,217 | 45,970 | 143,662 |
| Operating profit/loss | 6,672 | (12,898) | (19,241) | 1,693 | 106,657 |
| Net financials | (11,812) | 15,046 | (8,040) | 1,889 | 20,340 |
| Profit/loss for the year | (4,676) | 2,877 | (25,453) | 2,799 | 98,963 |
| Total assets | 218,130 | 176,442 | 384,796 | 402,149 | 416,332 |
| Investments in property, plant and equipment | 371 | 122 | 0 | 0 | 0 |
| Equity | 110,395 | 115,071 | 317,668 | 343,681 | 360,882 |
| Average number of employees | 93 | 91 | 79 | 60 | 47 |
| Ratios | | | | | |
| Return on equity (%) | (4.15) | 1.33 | (7.70) | 0.79 | 30.8 |
| Equity ratio (%) | 50.61 | 65.22 | 82.55 | 85.46 | 86.68 |

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

Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The company's primary activities comprise of development of mobile games in proprietary universes and expand them to animation and licensing.

Development in activities and finances

2020 was a pivotal year, where SYBO became the worldwide mobile publisher of Subway Surfers, with full autonomy to further develop and lift the game and its performance. Together with an overall increase in digital entertainment consumption resulting from the pandemic, this meant that SYBO increased topline from Subway Surfers by 17% compared to 2019 and exceeded budgeted figures.

Through the year, SYBO continued to support "Playing 4 the Planet", an alliance of gaming-companies who made voluntary and ambitious commitments for people and the planet. Currently, SYBO's attention is headed towards global challenges such as limiting the carbon footprint, where SYBO is currently offsetting more than 200 tonnage of CO2 and continuing an impact investment philosophy.

Throughout the year, Subway Surfers still attracts more than 1 million daily new installs and has now reached a stunning 3 billion downloads. Globally around 100 million people play Subway Surfers on a monthly basis. Still going strong after 9 years with a mobile title, means that Subway Surfers is a true mobile evergreen that continues to show great potential.

We work hard to attract the best talents on a global scale, and in 2020 the number of employees increased to more than 100 people representing more than 20 countries.

SYBO's financial investments are based on a strong impact portfolio, sustainability, and active risk management. The company's overall performance for the year is satisfactory and in line with plans and expectations.

Outlook

SYBO will continuously focus on and invest in innovation and growth, and in 2021 we expect the financial performance to reach the same level as 2020. At the same time, we keep pursuing exciting and innovative opportunities and will keep recruiting and retaining best in class talent carrying our shared SYBO values.

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.

Income statement for 2020

| | Notes | 2020 DKK | 2019 DKK |
|--|-------|--------------------|---------------------|
| Gross profit/loss | | 108,865,920 | 76,826,665 |
| Staff costs | 1 | (82,170,931) | (69,902,408) |
| Depreciation, amortisation and impairment losses | 2 | (20,022,501) | (19,822,716) |
| Operating profit/loss | | 6,672,488 | (12,898,459) |
| Income from investments in associates | | (186,427) | (46,729) |
| Other financial income | 3 | 4,227,683 | 21,460,247 |
| Impairment losses on financial assets | | (2,000,000) | (4,335,180) |
| Other financial expenses | 4 | (14,040,008) | (2,078,631) |
| Profit/loss before tax | | (5,326,264) | 2,101,248 |
| Tax on profit/loss for the year | 5 | 650,207 | 775,588 |
| Profit/loss for the year | 6 | (4,676,057) | 2,876,836 |

Balance sheet at 31.12.2020

Assets

| | Notes | 2020 DKK | 2019 DKK |
|--|-------|--------------------|--------------------|
| Acquired intangible assets | | 19,184,565 | 39,062,117 |
| Intangible assets | 7 | 19,184,565 | 39,062,117 |
| Other fixtures and fittings, tools and equipment | | 339,371 | 113,305 |
| Property, plant and equipment | 8 | 339,371 | 113,305 |
| Investments in group enterprises | | 40,000 | 0 |
| Investments in associates | | 4,730,011 | 4,916,438 |
| Other investments | | 25,051,137 | 25,078,194 |
| Deposits | | 1,190,683 | 1,109,274 |
| Deferred tax | 10 | 3,282,237 | 1,475,043 |
| Financial assets | 9 | 34,294,068 | 32,578,949 |
| Fixed assets | | 53,818,004 | 71,754,371 |
| Trade receivables | | 37,876,056 | 29,165,697 |
| Receivables from group enterprises | | 38,708,317 | 37,901,549 |
| Receivables from associates | | 65,462 | 0 |
| Other receivables | | 2,839,445 | 607,408 |
| Tax receivable | | 2,299,055 | 194,156 |
| Prepayments | 11 | 1,778,306 | 1,071,731 |
| Receivables | | 83,566,641 | 68,940,541 |
| Cash | | 80,745,216 | 35,747,450 |
| Current assets | | 164,311,857 | 104,687,991 |
| Assets | | 218,129,861 | 176,442,362 |

Equity and liabilities

| | Notes | 2020 DKK | 2019 DKK |
|--|--------------|---------------------|---------------------|
| Contributed capital | | 80,000 | 80,000 |
| Retained earnings | | 97,915,419 | 114,991,476 |
| Proposed dividend | | 12,400,000 | 0 |
| Equity | | 110,395,419 | 115,071,476 |
| Other payables | | 5,520,337 | 1,807,627 |
| Non-current liabilities other than provisions | 12 | 5,520,337 | 1,807,627 |
| Trade payables | | 18,366,113 | 4,994,732 |
| Tax payable | | 1,156,987 | 0 |
| Other payables | | 69,065,953 | 49,900,940 |
| Deferred income | 13 | 13,625,052 | 4,667,587 |
| Current liabilities other than provisions | | 102,214,105 | 59,563,259 |
| Liabilities other than provisions | | 107,734,442 | 61,370,886 |
| Equity and liabilities | | 218,129,861 | 176,442,362 |
| Unrecognised rental and lease commitments | 15 | | |
| Contingent liabilities | 16 | | |
| Assets charged and collateral | 17 | | |
| Related parties with controlling interest | 18 | | |
| Transactions with related parties | 19 | | |
| Group relations | 20 | | |

Statement of changes in equity for 2020

| | Contributed capital DKK | Retained earnings DKK | Proposed dividend DKK | Total DKK |
|---------------------------|--|--------------------------------------|--------------------------------------|----------------------|
| Equity beginning of year | 80,000 | 114,991,476 | 0 | 115,071,476 |
| Profit/loss for the year | 0 | (17,076,057) | 12,400,000 | (4,676,057) |
| Equity end of year | 80,000 | 97,915,419 | 12,400,000 | 110,395,419 |

Cash flow statement for 2020

| | Notes | 2020 DKK | 2019 DKK |
|---|-------|--------------------|--------------------|
| Operating profit/loss | | 6,672,488 | (12,898,459) |
| Amortisation, depreciation and impairment losses | | 22,022,501 | 19,822,716 |
| Working capital changes | 14 | 32,685,362 | (6,439,159) |
| Cash flow from ordinary operating activities | | 61,380,351 | 485,098 |
| Financial income received | | 3,461,202 | 20,897,271 |
| Financial expenses paid | | (13,271,465) | (1,274,384) |
| Taxes refunded/(paid) | | (2,755,106) | 234,518 |
| Other cash flows from operating activities | | 402,780 | 0 |
| Cash flows from operating activities | | 49,217,762 | 20,342,503 |
| Acquisition etc of intangible assets | | 0 | (1,306,616) |
| Acquisition etc of property, plant and equipment | | (371,015) | (122,013) |
| Acquisition of fixed asset investments | | (3,808,981) | (1,051,986) |
| Acquisition of the investments | | (40,000) | (1,978,999) |
| Cash flows from investing activities | | (4,219,996) | (4,459,614) |
| Free cash flows generated from operations and investments before financing | | 44,997,766 | 15,882,889 |
| Increase/decrease in cash and cash equivalents | | 44,997,766 | 15,882,889 |
| Cash and cash equivalents beginning of year | | 35,747,450 | 19,864,561 |
| Cash and cash equivalents end of year | | 80,745,216 | 35,747,450 |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 80,745,216 | 35,747,450 |
| Cash and cash equivalents end of year | | 80,745,216 | 35,747,450 |

Notes

1 Staff costs

| | 2020 | 2019 |
|---------------------------------------|-------------------|-------------------|
| | DKK | DKK |
| Wages and salaries | 74,397,042 | 62,949,185 |
| Pension costs | 5,058,784 | 3,941,330 |
| Other social security costs | 212,784 | 206,885 |
| Other staff costs | 2,502,321 | 2,805,008 |
| | 82,170,931 | 69,902,408 |
| Average number of full-time employees | 94 | 91 |

| | Remuneration of management 2020 DKK | Remuneration of management 2019 DKK |
|-----------------|--|--|
| Executive Board | 7,412,619 | 6,608,611 |
| | 7,412,619 | 6,608,611 |

2 Depreciation, amortisation and impairment losses

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | DKK | DKK |
| Amortisation of intangible assets | 19,877,552 | 19,814,008 |
| Depreciation of property, plant and equipment | 144,949 | 8,708 |
| | 20,022,501 | 19,822,716 |

3 Other financial income

| | 2020 | 2019 |
|---|------------------|-------------------|
| | DKK | DKK |
| Financial income from group enterprises | 766,481 | 762,970 |
| Other interest income | 3,461,202 | 20,697,277 |
| | 4,227,683 | 21,460,247 |

4 Other financial expenses

| | 2020 | 2019 |
|-------------------------|-------------------|------------------|
| | DKK | DKK |
| Other interest expenses | 14,040,008 | 2,078,631 |
| | 14,040,008 | 2,078,631 |

5 Tax on profit/loss for the year

| | 2020 DKK | 2019 DKK |
|--------------------------------------|------------------|------------------|
| Current tax | 1,156,987 | 165,611 |
| Change in deferred tax | (1,807,194) | (830,683) |
| Adjustment concerning previous years | 0 | (110,516) |
| | (650,207) | (775,588) |

6 Proposed distribution of profit and loss

| | 2020 DKK | 2019 DKK |
|--|--------------------|------------------|
| Ordinary dividend for the financial year | 12,400,000 | 0 |
| Extraordinary dividend distributed in the financial year | 0 | 205,473,652 |
| Retained earnings | (17,076,057) | (202,596,816) |
| | (4,676,057) | 2,876,836 |

7 Intangible assets

| | Acquired intangible assets DKK |
|---|---|
| Cost beginning of year | 100,040,912 |
| Cost end of year | 100,040,912 |
| Amortisation and impairment losses beginning of year | (60,978,795) |
| Amortisation for the year | (19,877,552) |
| Amortisation and impairment losses end of year | (80,856,347) |
| Carrying amount end of year | 19,184,565 |

8 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment DKK |
|---|--|
| Cost beginning of year | 185,850 |
| Additions | 371,015 |
| Cost end of year | 556,865 |
| Depreciation and impairment losses beginning of year | (72,545) |
| Depreciation for the year | (144,949) |
| Depreciation and impairment losses end of year | (217,494) |
| Carrying amount end of year | 339,371 |

9 Financial assets

| | Investments in group enterprises DKK | Investments in associates DKK | Other investments DKK | Deposits DKK | Deferred tax DKK |
|--------------------------------------|---|-------------------------------------|-----------------------------|------------------|---------------------|
| Cost beginning of year | 0 | 4,916,438 | 25,078,194 | 1,109,273 | 1,475,043 |
| Exchange rate adjustments | 0 | 0 | (1,836,038) | 0 | 0 |
| Additions | 40,000 | 0 | 3,808,981 | 247,060 | 1,807,194 |
| Disposals | 0 | 0 | 0 | (165,650) | 0 |
| Cost end of year | 40,000 | 4,916,438 | 27,051,137 | 1,190,683 | 3,282,237 |
| Amortisation of goodwill | 0 | (357,645) | 0 | 0 | 0 |
| Share of profit/loss for the year | 0 | 171,218 | 0 | 0 | 0 |
| Revaluations end of year | 0 | (186,427) | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | (2,000,000) | 0 | 0 |
| Impairment losses end of year | 0 | 0 | (2,000,000) | 0 | 0 |
| Carrying amount end of year | 40,000 | 4,730,011 | 25,051,137 | 1,190,683 | 3,282,237 |

| Investments in subsidiaries | Registered in | Corporate form | Equity interest % | Equity DKK | Profit/loss DKK |
|-----------------------------|---------------|----------------|-------------------|------------|-----------------|
| Boom 808 ApS | Denmark | ApS | 100 | 4,937 | (35,063) |

| Investments in associates | Registered in | Corporate form | Equity interest % |
|---------------------------|---------------|----------------|-------------------|
| Funday Factory ApS | Denmark | ApS | 36,2 |
| Spray (BVI) Limited | China | Ltd. | 29,1 |

10 Deferred tax

| Changes during the year | 2020 DKK | 2019 DKK |
|------------------------------------|------------------|------------------|
| Beginning of year | 1,475,043 | 644,360 |
| Recognised in the income statement | 1,807,194 | 830,683 |
| End of year | 3,282,237 | 1,475,043 |

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.

11 Prepayments

Prepayments consist of office rent, consulting services, subscriptions and other prepayments.

12 Non-current liabilities other than provisions

| | Due after more than 12 months 2020 DKK |
|----------------|---|
| Other payables | 5,520,337 |
| | 5,520,337 |

13 Deferred income

Deferred income consists of contract accrual.

14 Changes in working capital

| | 2020 DKK | 2019 DKK |
|---|---------------------|---------------------|
| Increase/decrease in receivables | (12,521,208) | (682,822) |
| Increase/decrease in trade payables etc | 45,206,570 | (5,756,337) |
| | 32,685,362 | (6,439,159) |

15 Unrecognised rental and lease commitments

| | 2020 DKK | 2019 DKK |
|--|---------------------|---------------------|
| Liabilities under rental or lease agreements until maturity in total | 1,312,799 | 1,828,978 |

16 Contingent liabilities

At the balance sheet date, the Company is engaged in a trial against the Company. Due to material uncertainty, Company Management has not been able to assess the outcome of the pending trial.

The Entity participates in a Danish joint taxation arrangement where SYBO Holding ApS serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

17 Assets charged and collateral

As security for all balances with Danske Bank, the Company has granted a charge on a portfolio of securities corresponding to USD 7.000 thousand.

18 Related parties with controlling interest

The share capital is wholly owned by SYBO Holding ApS, Jorcks Passage 1A, 4. - 1162 Copenhagen K.

19 Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. During the financial year, related party transactions have been conducted on an arm's length basis.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: SYBO Holding ApS, Copenhagen, Denmark.

Accounting policies

Reporting class

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

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

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of raw materials and consumables as well as external expenses.

Revenue

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.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

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 intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful

lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

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 as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment losses on financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis

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 as well as 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.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

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.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement. The depreciation period amount to 5 years

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

Property, plant and equipment

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under

finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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 year |
|--|--------|

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 recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share

of assets and liabilities acquired. 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 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 10 years.

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

Other investments

Other investments comprise listed securities which are measured at fair value (market price) at the balance sheet date, and unlisted equity investments measured at the lower of cost and net realisable value.

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.

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.

Receivables

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

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.

Prepayments

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

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.

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.

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 property, plant 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, repayments of 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 shortterm bank loans.