



# HALF-YEAR REPORT 2018

January - June 2018

**agilic**

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#### GOVERNING TEXT

The quarterly report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.





## Welcome to Agillic

Agillic is a Danish software company helping marketers to maximise the use of data and translate it into relevant and personalised communication establishing strong relations between people and brands. Our platform uses AI (Artificial Intelligence) to analyse data and to enhance the business value of customer communication. By combining data-driven customer insights with the ability to execute personalised 1:1 communication we provide our customers a head start in the battle of winning markets and customers. We do that for clients such as Banco Santander, Egmont Publishing, Matas, Vita, and Storytel.

Visit us on [www.agillic.com](http://www.agillic.com)

## Financial update

- The revenue in the Second Quarter was DKK 9.3 million, which corresponds to an 83% increase compared to the same period last year; the half year revenue was DKK 19.0 million, which corresponds to a 96% increase compared to the same period last year.
- At the end of the quarter, the ARR was DKK 38.8 million, which corresponds to a 79% increase compared to 30 June 2017, and to 17% compared to 31 December 2017.
- This quarter's increase in ARR was DKK 3.7 million, while the increase in the first half of the year was DKK 5.5 million.
- In the Second Quarter, EBITDA amounted to DKK -4.2 million, and at the six months EBITDA amounted to DKK -6.1 million.
- At the end of the quarter, cash position comprised DKK 24.1 million.

*Annual Recurring Revenue (ARR) describes the current annual value of subscription revenue and transactions.*

## Highlights of the Second Quarter

### Customers

- We have entered into a group agreement with Danske Bank. Sunday is the first Danske Bank brand that has started using Agillic. Moreover, we have entered into an agreement with a number of other customers, including Brøndby IF and Normal.
- SPORTMASTER, Interflora, etc. have chosen to extend their contracts with Agillic.

### New partnerships

- Omnicom Media Group entered into a Scandinavian partnership with Agillic, while House of Friends, etc. entered into a partnership with Agillic.



### Significant recruitments

- Christian Tange joined as our new CFO on 1 April 2018. Christian comes from the Swedish capital fund Karolinska Development, which is listed on NASDAQ Stockholm. Christian has many years of experience with growth companies and expansion via internationalisation.
- Thomas G. Andersen joined as our new Sales Director on 1 May 2018. Thomas came to us from the software company Sitecore, where he worked as the Director for Scandinavia & Emerging Markets, and was part of leading one of the most significant growth journeys in Danish industry in the last few years.

### Other events

- Agillic won the "Best e-commerce tool of the year" award at the Association of Danish Internet Trading's (FDIH) annual prize-giving.
- Agillic hosted Summit18 in Copenhagen and London, with a focus on AI driven marketing.



Bo Sannung, COO, Rasmus Houliind, CSO, and Mike Martinussen, Digital Sales Manager, receive the "Best e-commerce tool of the year" award at the Association of Danish Internet Trading's (FDIH) annual prize-giving.

PHOTOGRAPH: JEPPE VEJLØ / FDIH

### Highlights after the end of the quarter

- Kim Elsass joined us as Head of Global Partner Programs on 1 August 2018. Kim came to us from the software company Sitecore, where he worked for many years as part of their global management.



## Further information

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Agillic will be hosting a webcast on 22 August 2018 at 9 a.m. CEST. Click [here](#) to participate.

## CEO's report

The Second Quarter has been characterised by high activity, and we are satisfied to submit a quarterly report that reflects our continued growth, and in which we present a profit that is in line with the guidance communicated for the year.

Our Annual Recurring Revenue (ARR) has increased by 79%, from DKK 21.7 million in the Second Quarter of 2017 to DKK 38.8 million in the Second Quarter of 2018. Thus, we maintain the expectations of a 40-50% growth in 2018.

The growth in ARR is due to the inflow of a number of new customers, as well as existing customers who have renewed and extended their commitment to Agillic.

### Agillic capitalises on the transition to digital economy

The transition to digital economy is occurring across all sectors, and the market for marketing technology is experiencing a rapid growth. This creates favourable conditions for Agillic, and our sales force capitalises in this regard. The many new customers that we have gained in the Second Quarter show that the Agillic platform is very much able to compete with the other players in the market. What Agillic provides its customers with is a strong and dynamic platform that is fundamental to their ability to compete and conduct marketing by attracting, developing and maintaining their customers via AI driven communication.

### VITA achieves 10 times better results when using Agillic's AI models

The Norwegian beauty retailer, VITA, has successfully explored the effect of Agillic's AI models in their communication, in terms of motivating customers to re-purchase a certain product, and to purchase a completely new product.

Over a five month period, VITA achieved significant results using AI driven content in newsletters compared to traditional newsletters.

- VITA achieved a 10 times better result when using AI driven communication to motivate their customers to re-purchase a product.
- VITA achieved a six times better result when using AI driven communication to motivate their customers to purchase completely new products.

These examples show that Agillic's AI models are able to match customers to products at the opportune time with great accuracy, and thus increase the probability of a purchase. Of course, this has great significance to the revenue, and thus the next step for VITA is a further introduction of AI driven communication.



VITA's impressive results have confirmed how differentiating and value-adding the Agillic platform is, when the AI models are integrated into the customer's marketing automation solution. Today, marketing is a data game and the thing that defines tomorrow's winners is, to a large degree, their ability to work with data driven marketing in order to attract and retain the critical and demanding user. Exciting times lie ahead, in which Agillic's AI models will continue to become more powerful, and we will continue to develop the platform so that our customers can experience even greater success when using AI driven, and highly personalised, communication.

### **Partnerships are part of the growth strategy**

We will embrace both national and international partnerships, in order to realise our growth ambitions. Strong partnerships are a determining factor, both in terms of the access to new customers, and because our partners will assist our customers in receiving the maximum value from the Agillic platform, so that customers will, to a greater extent, choose to extend their commitment to us.

In the Second Quarter, we entered into partnerships with Omnicom Media Group (OMG), House of Friends (HofF) and Adapt, and we anticipate a great return of new business collaborations. We are excited to be able to extend the knowledge of the Agillic platform to their customers, and we are ready to capture new customers with our new partners.

### **Omnicom Media Group, Scandinavia**

Through the partnership with Omnicom Media Group (OMG), two previously separate business areas - adtech and martech - converge. Martech, which Agillic leans towards, is typically used in connection with a company's own media (e.g. website, App, newsletter), while adtech focuses on advertising via paid media (TV advertisements, Facebook, Google adwords, banners, etc.).

This is a unique and visionary partnership, which provides Agillic's customers the opportunity to increase their activities across various channels and to reach far more end users. Based on this collaboration, we expect to attract new customers throughout Scandinavia.

Omnicom Media Group's total media revenue for all the Scandinavian countries was EUR 735 million in 2017.

### **House of Friends (HofF), Sweden**

Our goal is to create more business in Sweden, as it is the largest market in Scandinavia. We hope to achieve this through direct sales to customers and via agency collaborations.

House of Friends, a successful agency in Stockholm, is one of the partnerships that we expect to gain a lot from. House of Friends has more than 80 employees, and more than 100 Swedish and international companies on its customer list. HofF's strategy is based on the development of creative communication programs that use marketing automation and AI in order to achieve optimal scaling and effect. It is a perfect match for Agillic, and we are confident that the collaboration with House of Friends will strengthen Agillic's position on the Swedish market and increase our access to customers.

### **Adapt, Denmark**

Adapt is an international agency with offices in seven countries. Our partnership with Adapt occurred in connection with a collaboration of a number of customers, and we expect that this partnership will help us to expand our shared business through more customers, both locally and internationally.





**Agillic Summit18: The naked truth**

Under the label "The Naked Truth about AI-driven Marketing Automation", we hosted the Agillic Summit18 conference on 28 May at the National Museum of Denmark in Copenhagen. The conference was sold out and attracted more than 400 participants.

The Agillic Summit is a significant event for us. It helps us to position Agillic as a leading player in the increasing penetration of marketing technologies driving the very same growth that we pursue.

Companies such as Interflora, Eidsiva broadband and SPORTMASTER, as well as agencies and marketing specialists, shared their experiences in using Artificial Intelligence (AI) in their marketing. Through presentations and workshops, the participants discussed opportunities and challenges with some of the most skilled and experienced profiles in the industry.

We hosted a mini edition of Agillic Summit18 on 30 May in London for 70 participants, where we presented the Agillic platform and select customer cases that illustrate the effect of AI driven marketing automation.

Visit [www.agillic.com/summit18](http://www.agillic.com/summit18) for more information.



Agillic Summit18 attracted more than 400 participants



### Agillic's expectations for the rest of the year

We maintain our expectation that Agillic will fulfil the announced financial targets for 2018, including that the ARR will increase by 40-50%. This corresponds to the ARR increasing to between DKK 46 million and DKK 50 million by 31 December 2018.

At this moment in time, good activity can be observed in Denmark, the UK, Sweden and Norway, and we expect to be able to report on new customers and partnerships on a continuous basis.

Moreover, we also maintain our expectation for Agillic to realise a revenue of between DKK 47 million and DKK 53 million in 2018's fiscal year. EBITDA is expected to land between DKK -5 million and DKK -10 million due to investments in a number of growth initiatives, including increased marketing and larger sales force in Scandinavia and the UK. The effect of these investments will typically only be seen after 6-9 months, and will therefore affect EBITDA negatively in the short term.

## Financial development

One of the most important key figures for a company, such as Agillic, that sells Software as a Service (SaaS) on a subscription basis is Annual Recurring Revenue (ARR), as well as the quarterly change to ARR.

The change (increase) in ARR consists of an increase in licence sales to existing customers, as well as licence sales to new customers.

In addition, this also includes Agillic's customers' transactions such as SMS and e-mail. Any churned licences are offset against the total change in ARR.

ARR is formed by existing licences and transactions, as well as the quarterly changes (increase) in ARR as described above.

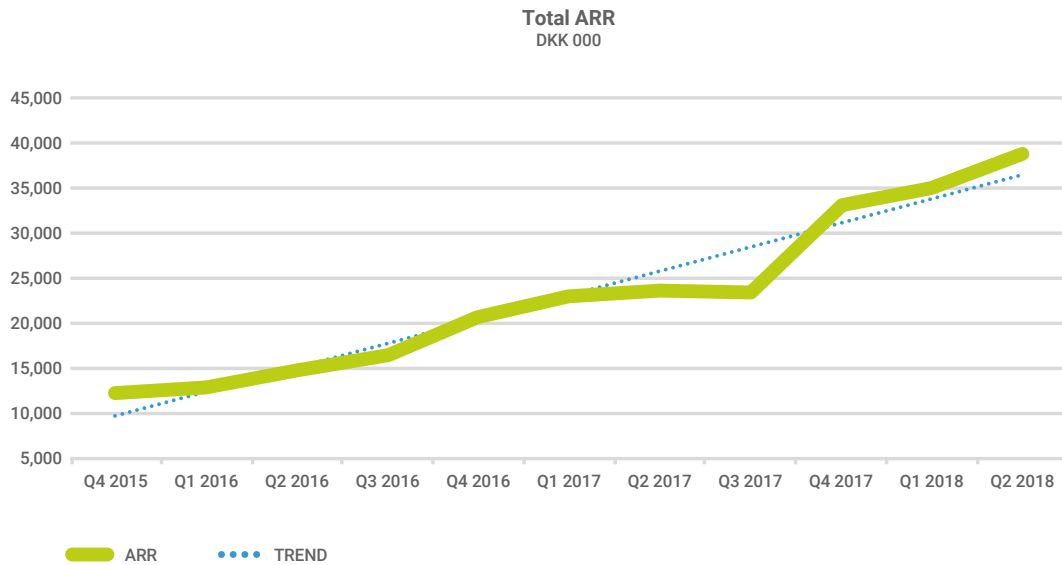
ANNUAL RECURRING REVENUE (ARR)				
DKK 000	30 June 2018	31 March 2018	31 Dec 2017	30 June 2017
ARR	38,760	35,044	33,218	21,653
Change in ARR as of 30 June 2018		3,716 11%	5,541 17%	17,106 79%

Agillic continued its growth in the Second Quarter and, at the end of the quarter, ARR was DKK 38.8 million, which corresponds to a total growth of 79% (DKK 17.1 million) in comparison to the end of the Second Quarter in 2017.

The growth of ARR in the Second Quarter was DKK 3.7 million, which corresponds to a total ARR growth of 11% in comparison to the end of the First Quarter in 2018. With an increase of DKK 1.8 million in ARR in the First Quarter and DKK 3.7 million in the Second Quarter, ARR experienced a total increase of DKK 5.5 million in the first six months of 2018, which corresponds to a growth in ARR of 17% in comparison to the end of 2017.

The growth in the Second Quarter comes from both new customers and from existing customers who re-signed their licence contract and increased their commitment to Agillic.





The positive growth in ARR occurred as planned, and as Agillic's sales have normally been higher in the second half of the year compared to the first half, as shown below, Agillic maintains its expectation for an annual increase in ARR of between DKK 13 million and DKK 17 million. Thus, Agillic expects that, at the end of 2018, ARR will be between DKK 46 million and DKK 50 million, which corresponds to a growth of 40-50% compared to ARR at the end of 2017.



Agillic's growth in ARR was also expressed in the revenue which increased from DKK 5.1 million in the Second Quarter of 2017 to DKK 9.3 million in the Second Quarter of 2018, corresponding to an increase of 83%. The first six months of 2018 Agillic experienced a revenue of DKK 19.0 million, compared to DKK 9.7 million in the same period of 2017, equalling an increase of 96%.



## FINANCIAL KEY FIGURES

DKK 000	2018 Apr-June	2017 Apr-June	2018 Jan-June	2017 Jan-June	2017 Jan-Dec
Net revenue	9,304	5,093	18,989	9,676	29,641
EBITDA	-4,200	-1,066	-6,068	-2,213	4,041
Net profit after tax	-6,507	-1,947	-9,925	-3,346	-4,658
Earnings per share	-0.79	N/A	-1.27	N/A	-0.64
Number of shares, weighted average	8,286,900	N/A	7,789,239	N/A	7,313,216

DKK 000	2018 30 June	2017 30 June	2018 30 June	2017 30 June	2017 31 Dec
ARR (Annual Recurring Revenue)	38,760	21,653	38,760	21,653	33,218
Cash position	24,111	621	24,111	621	40
Share price (the period's last day of trading, DKK)	35.30	N/A	35,30	N/A	N/A

The gross profit followed the development of the revenue and increased to DKK 3.8 million in the Second Quarter of 2018, compared to DKK 2.1 million in the Second Quarter of 2017. The gross profit increased by 104%, from DKK 3.7 million in the first six months of 2017 to DKK 7.6 million in the first six months of 2018.

In order to achieve this growth, Agillic has invested heavily in resources to support the continued growth. Through the recruitment of a Sales Team in the UK, a new Sales Director, and a new Head of Global Partner Programs for the development of Agillic's further international expansion, staff costs in the Second Quarter amounted to DKK 9.2 million, compared to DKK 4.4 million in the Second Quarter of 2017.

The investments in staff resources resulted in the staff costs comprising DKK 16.2 million in the first six months of 2018, compared to DKK 8.4 million in the first six months of 2017. The large investment in growth-promoting initiatives resulted in Agillic gaining an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) of DKK -4.2 million in the Second Quarter of 2018 and DKK -6.1 million in the first six months of 2018.

On 30 June 2018, the cash position comprised DKK 24.1 million. The funds are expected to be continuously invested in further growth initiatives, with the purpose of increasing ARR and revenue.



## Information concerning risks and uncertainties

Risks and uncertainties have not changed in connection with the conditions mentioned in the company description, prepared in connection with Agillic's shares being listed on Nasdaq First North Copenhagen. The company description is available on [www.agillic.com](http://www.agillic.com).

The quarterly report is approved by the Board of Directors, Copenhagen, 22 August 2018.




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Johnny Henriksen  
Chairman of the Board



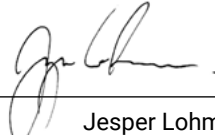

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Peter Elbek




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Mikael Konnerup




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Jesper Lohmann




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Casper Moltke-Leth




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Jesper Valentin  
CEO

## Dates for the publication of financial information

Half-year Report 2018:	22 August 2018
Quarterly Report, Third Quarter 2018:	7 November 2018
Year-end Report 2018:	20 February 2019
Annual Report 2018:	11 March 2019
Annual General Meeting:	11 April 2019

Agillic is only liable for sending out a Half-year Report and Year-end Report according to Nasdaq First North rulebook of 3 January 2018. However, the company has chosen to also send out a quarterly report for the First and Third Quarter.

This report was published on 22 August 2018 and is available on [www.agillic.com](http://www.agillic.com)

## Shares

Agillic's shares are listed for trade on Nasdaq First North under the ticker symbol "AGILC". The price of shares on 29 June 2018 was DKK 35.30, which corresponds to a market value of DKK 293 million.

Agillic's share capital on 30 June 2018 comprised DKK 828,690 divided across 8,286,900 shares with a total of 8,286,900 votes.



## Financial reports

<b>INCOME STATEMENT</b>						
<b>DKK 000</b>	<b>Note</b>	<b>2018 Apr-June</b>	<b>2017 Apr-June</b>	<b>2018 Jan-June</b>	<b>2017 Jan-June</b>	<b>2017 Jan-Dec</b>
Net revenue		9,304	5,093	18,989	9,676	29,641
Direct costs		-2,255	-1,099	-5,143	-2,023	-4,449
Other external costs		-3,254	-1,859	-6,245	-3,924	-7,357
<b>Gross profit</b>		<b>3,795</b>	<b>2,135</b>	<b>7,601</b>	<b>3,729</b>	<b>17,834</b>
Staff costs		-9,245	-4,439	-16,187	-8,418	-18,745
Capitalized staff costs		1,250	1,238	2,519	2,476	4,952
<b>EBITDA</b>		<b>-4,200</b>	<b>-1,066</b>	<b>-6,068</b>	<b>-2,213</b>	<b>4,041</b>
Depreciation and impairment losses of tangible and intangible assets		-725	-538	-1,325	-546	-1,621
<b>EBIT</b>		<b>-4,925</b>	<b>-1,604</b>	<b>-7,392</b>	<b>-2,759</b>	<b>2,420</b>
Income from associates		-1,197	0	-1,868	0	-1,716
Other financial income		0	0	0	0	90
Other financial costs		-385	-343	-665	-587	-1,727
<b>Profit before tax</b>		<b>-6,507</b>	<b>-1,947</b>	<b>-9,925</b>	<b>-3,346</b>	<b>-934</b>
Tax on profit for the period		0	0	0	0	-3,725
<b>NET PROFIT</b>		<b>-6,507</b>	<b>-1,947</b>	<b>-9,925</b>	<b>-3,346</b>	<b>-4,658</b>

<b>EARNING PER SHARE</b>						
<b>DKK 000</b>	<b>Note</b>	<b>2018 Apr-June</b>	<b>2017 Apr-June</b>	<b>2018 Jan-June</b>	<b>2017 Jan-June</b>	<b>2017 Jan-Dec</b>
Earnings per share		-0.79	N/A	-1.27	N/A	-0.64
Number of shares, weighted average		8,286,900	N/A	7,789,239	N/A	7,313,216



<b>BALANCE</b>				
<b>DKK 000</b>	<b>Note</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>31 Dec 2017</b>
<b>ASSETS</b>				
Development projects		15,402	12,522	13,941
Goodwill		2,004	0	0
<b>Total intangible assets</b>		<b>17,406</b>	<b>12,522</b>	<b>13,941</b>
Fixtures and equipment		52	87	69
Software		0	45	0
<b>Total tangible assets</b>		<b>52</b>	<b>132</b>	<b>69</b>
Investment in subsidiaries		0	0	0
Investment in associates		0	0	0
<b>Total financial assets</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fixed assets</b>		<b>17,458</b>	<b>12,654</b>	<b>14,010</b>
Trade receivables		9,086	2,807	14,384
Receivables from associates		1,778	3,124	2,384
Deferred tax assets		5,000	10,000	5,000
Other receivables		221	559	0
Prepayments		368	18	0
<b>Total receivables</b>		<b>16,452</b>	<b>16,509</b>	<b>21,768</b>
<b>Cash</b>		<b>24,111</b>	<b>621</b>	<b>40</b>
<b>Total current assets</b>		<b>40,563</b>	<b>17,129</b>	<b>21,808</b>
<b>TOTAL ASSETS</b>		<b>58,021</b>	<b>29,783</b>	<b>35,818</b>



## BALANCE

DKK 000	Note	30 June 2018	30 June 2017	31 Dec 2017
<b>LIABILITIES</b>				
Share capital		829	235	723
Retained earnings		19,764	3,086	-606
Reserve for net revaluation according to the equity method		0	0	0
Reserve for development costs		12,148	8,030	9,921
<b>Total equity</b>		<b>32,741</b>	<b>11,351</b>	<b>10,038</b>
Debt to credit institutions		9,945	11,000	13,000
<b>Total long-term liabilities</b>		<b>9,945</b>	<b>11,000</b>	<b>13,000</b>
Short-term debt to credit institutions		3,073	2,168	3,479
Trade payables		3,010	2,029	1,442
Other payables		4,653	1,993	3,940
Prepayment from customers		3,919	0	3,919
Accruals		680	1,243	0
<b>Total short-term liabilities</b>		<b>15,335</b>	<b>7,432</b>	<b>12,780</b>
<b>Total liabilities</b>		<b>25,280</b>	<b>18,432</b>	<b>25,780</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>58,021</b>	<b>29,783</b>	<b>35,818</b>

## CHANGE IN EQUITY CAPITAL

DKK 000	Note	30 June 2018	30 June 2017	31 Dec 2017
Share capital		723	235	235
Reserve for net revaluation according to the equity method		0	0	0
Reserve for development costs		9,921	5,846	5,846
Retained earnings		-606	8,616	8,616
<b>Total equity, beginning</b>		<b>10,038</b>	<b>14,697</b>	<b>14,697</b>
Business restructuring		106	0	488
Transferred to reserve for development costs		2,519	2,476	4,952
Depreciations reserve for development costs		0	0	-877
Income from associates - negative reserve		-1,197	0	-1,716
Equalisation negative reserve		1,197	0	1,716
Retained earnings		20,078	-5,822	-9,222
<b>Total equity, end</b>		<b>32,741</b>	<b>11,351</b>	<b>10,038</b>



## CASH FLOW STATEMENT

DKK 000	Note	2018 Apr-June	2017 Apr-Jun	2018 Jan-June	2017 Jan-June	2017 Jan-Dec
Net profit		-6,507	-1,947	-9,925	-3,346	-4,658
Adjustment of tax on profit for the period		0	0	0	0	3,725
Adjustment of financial costs and similar costs		385	343	665	587	1,727
Adjustment of financial income and similar income		0	0	0	0	-90
Adjustment of income from associates		1,197	0	1,868	0	1,711
Depreciation and impairment losses		725	537	1,325	546	1,621
Change in operating capital		-4,719	197	5,763	2,746	-4,217
<b>Total</b>		<b>-8,919</b>	<b>-869</b>	<b>-304</b>	<b>533</b>	<b>-181</b>
Financial income received		0	0	0	0	90
Financial costs paid		-385	-343	-665	-587	-1,727
Other adjustments		0	0	0	0	1,275
<b>Cash flow from operating activities</b>		<b>-9,304</b>	<b>-1,212</b>	<b>-969</b>	<b>-54</b>	<b>-543</b>
Loans and advances		-306	-209	646	-584	-1,555
Acquisition of intangible and tangible assets		-1,250	-1,215	-4,773	-2,521	-4,952
<b>Cash flow from investing activities</b>		<b>-1,556</b>	<b>-1,424</b>	<b>-4,127</b>	<b>-3,105</b>	<b>-6,507</b>
Issuance of shares		-169	0	32,627	0	0
Borrowing of long-term debt liabilities		0	-250	0	500	2,500
Borrowing of short-term debt liabilities		14	2,134	-3,464	2,158	3,469
<b>Cash flow from financing activities</b>		<b>-155</b>	<b>1,884</b>	<b>29,164</b>	<b>2,658</b>	<b>5,969</b>
<b>Change in cash position</b>		<b>-11,015</b>	<b>-752</b>	<b>24,068</b>	<b>-501</b>	<b>-1,081</b>
Cash position, beginning		35,126	1,373	40	1,121	1,121
<b>TOTAL CASH POSITION, END</b>		<b>24,111</b>	<b>621</b>	<b>24,111</b>	<b>621</b>	<b>40</b>





<b>SHAREHOLDER</b>	<b>Share capital</b>	<b>Votes</b>	<b>Capital - %</b>	<b>Votes -%</b>
Pe Invest ApS	156,002	1,560,015	18.83	19.09
Ad. Andco ApS	155,738	1,557,383	18.79	19.06
Lerbrandt Lokomotiv ApS	154,223	1,542,231	18.61	18.87
Dico ApS	140,494	1,404,935	16.95	17.19
Christian Nellemann	45,989	459,894	5.55	5.63
Rasmus Houliind Ivs	15,974	159,738	1.93	1.95
Lohmann Holding ApS	15,508	155,081	1.87	1.90
Valentin & Holm Holding Ivs	15,325	153,248	1.85	1.85
F. Wiedemann ApS	12,689	126,887	1.53	1.55
Baunegård ApS	10,000	100,000	1.21	1.22
<b>Sum 10 largest shareholders</b>	<b>721,941</b>	<b>7,219,412</b>	<b>87.12</b>	<b>88.31</b>
<b>Sum other shareholders</b>	<b>106,749</b>	<b>1,067,488</b>	<b>12.88</b>	<b>11.69</b>
<b>Sum all shareholders</b>	<b>828,690</b>	<b>8,286,900</b>	<b>100,00</b>	<b>100,00</b>



## Notes for financial reports

### NOTE 1 Accounting principles

This report has been prepared in accordance with the Danish Financial Statements Act's provisions for accounting class B, with the addition of individual provisions for accounting class C. In general, the report follows the principles described in the latest financial statement.

For the sake of clarity, the accounting principles are clarified regarding the recognition criteria for the revenue.

The company provides individual key figures that are not covered by the Danish Financial Statements Act, and these are clarified.

#### Consulting services, transaction revenues

The net revenue is recognised in the income statement, when delivery and risk transfer to the buyer have occurred by the end of the quarter.

#### Licence contracts

The net revenue regarding licence contracts is recognised in the income statement when entering into a binding contract in which the licence revenue is billed according to normal payment conditions, and the risk transfer for the buyer has occurred by the end of the quarter. Recognition requires that the use of the licences are not subject to ongoing upgrades and maintenance in order for the customer to use the licence in accordance with the contract, and that the conditions for recognition at the time of entering into the contract and billing are thus fulfilled. Should the licence contract run over a period of several years, one year at a time is included.

#### Annual Recurring Revenue

Annual Recurring Revenue (ARR) is the value of subscription contracts at a given date, including transaction-based use, entered into with the company and converted to a monthly value multiplied by 12.

New subscription contracts are included in ARR at the time of entering into the binding contract, which would typically occur at the time of signing the contract.

For changes to existing subscription contracts, ARR is included at the time that the change enters into force.

Subscription contracts that are terminated or not renewed are reduced on ARR at the time that the contract ceases to exist.

Subscriptions are typically entered into with an irrevocable period of 12-36 months. Inclusion of ARR is conducted in the following manner:

For 12 month subscription contracts, ARR is included as 1 times the value of the contract.

For 24 month subscription contracts, ARR is included as  $\frac{1}{2}$  times the value of the contract.

For 36 month subscription contracts, ARR is included as  $\frac{1}{3}$  times the value of the contract.



Monthly subscriptions are included in ARR as 12x the actual monthly value of the subscription contract (MRR).

In addition to the value of subscription contracts for licences, the customers' transaction-based subscription use, including e-mail and SMS transactions, are also included in ARR.

The value of ARR from transaction-based use is calculated as the latest quarter's actual transaction-based use multiplied by 4.

From quarter to quarter, ARR is calculated as the value from the last day of the most recent quarter's ARR adjusted for changes until the last day of the current quarter.

The following elements are included in the calculation of the changes in ARR:

- + Additional sales to existing customers (subscription-based upgrades / additional services)
- + Agreed upon price adjustments to existing subscription contracts
- + New sales of subscription contracts
- + The change (+/-) in transaction use derived from the subscriptions
- Termination or downgrading of subscriptions
- = **Change in ARR**

ARR is calculated in Danish Kroner. When entering into a contract in a foreign currency, a currency conversion is conducted at the time of entering into the contract.