ANNUAL REPORT 2006

moving expertise - not people

Danware®

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Translation: In the event of any inconsistency between this document and the Danish language version, the Danish language version shall be the governing version.

DANWARE IN A FLASH

Danware's core business is to develop and market software products based on the NetOp core technology – a technology enabling swift, secure and seamless transfer of screens, sound and data between two or more computers.

The company's three product areas are Desktop Management, Education, and Security. The core products in Desktop Management are NetOp Remote Control products and the M-Net product that enable remote control of one or more computers and standardise implementation and operation of computers in Microsoft-based networks. NetOp School, the core product in Education, is a software application for computer-based classroom teaching. The business area Security includes NetOp Process Control and NetOp NetFilter. The majority of the products are plug'n play products offering extensive functionality and great flexibility combined with a high degree of user-friendliness.

76% of Danware's revenue is generated outside Denmark through subsidiaries in the US, the UK and Germany as well as partners in individual countries. In 2006, our products were sold to more than 70 different countries.

Danware's headquarters are located in Birkerød, north of Copenhagen. The company had 84 employees at year end 2006.

Danware's shares are listed on the Copenhagen Stock Exchange and are a component of the Small Cap+ index.

Graphic design og production: mouselab.dk

TO OUR SHAREHOLDERS

The year 2006 was an eventful and challenging year for Danware, and we focused on successfully implementing the activities intended to create substantial progress over the coming years. The activities comprised the restructuring of our sales and marketing strategy, intensified efforts in product development and the acquisition of new technologies.

Towards the end of 2006, positive results of the numerous activities began to materialise, and we were confirmed in our belief that the chosen strategy is the right way to go.

It was crucial to significantly strengthen the distribution of Danware products. We therefore established wholly-owned subsidiaries in the US, the UK and Germany in 2006, and they will play an important role in distributing and branding Danware products as well as contributing to strengthening and developing the business partner channels. In short, they will help Danware to build a significantly stronger position in our core markets and to achieve the expected growth. The largest market for Danware products is the United States, and this is also where we expect to generate the largest contribution to our future growth. As early as the end of 2006, our US revenue had exceeded the revenue performance of the former US distributor.

In addition to setting up our own subsidiaries, a key priority was to conclude contracts with new distributors in key markets in which Danware does not have sales subsidiaries. We have now signed collaborative agreements with distributors in Spain, Italy, Russia and the Czech Republic, and more agreements are expected to follow in the coming period.

We also seek to sell our products through new sales channels – for example through OEM customers who sell Danware products as part of a larger software solution, and we signed several agreements in 2006.

In recent years, Danware has been affected by the weak growth in demand for conventional remote control software which has been our most important product to date. But general technology developments, especially the growing use of the Internet, provides us with new opportunities to develop software products in the areas where Danware operates. We are in the midst of this development, and the aim is to target the high growth market segments in which Danware offers attractive solutions based on its technology. In recent years, Danware has worked at full speed to develop Internet-based products, products for PDAs, including Mobile Devices, and to expand the product portfolio within each business area in order to make our range of products more complete. We have done this through a combination of in-house development and by acquiring products and technologies. Danware's products are at the technological forefront in the new growth areas, and we expect to develop our position further.

In 2007, we will continue the activities already initiated, and new initiatives will also be taken to further strengthen Danware's position. 2007 will be the year in which the many growth initiatives will materialise in the form of significant growth and simultaneous improvement of earnings. We believe that the conditions for Danware gaining momentum, i.e. products featuring innovative technology, high market growth in many of Danware's business segments and a more aggressive sales and distribution strategy provide a good platform from which to achieve Danware's growth strategy.

Yours faithfully

Ib Kunøe
Chairman

HIGHLIGHTS

- The year 2006 was an eventful year. Danware completed a range of activities aimed at strengthening sales and distribution and bringing the company into a new phase characterised by significant progress. These activities included setting up wholly-owned subsidiaries in the US, the UK and Germany for the purpose of expanding the network of business partners in those countries. In other countries, Danware intensified efforts to increase the number of partners just as we increased focus on sales through new channels.

- At the end of 2006, the many strategic activities began to feed through. In 2007, such activities are expected to result in substantial revenue growth and improved financial results. Particularly, we expect our US operations to contribute to our growth.

- The company launched new versions of NetOp Remote Control and NetOp School in 2006. Danware also launched NetOp Mobile, a product developed from the company's Remote Control software with a view to supporting remote control of and from various mobile equipment (non-PC). Danware has developed NetOp Mobile as part of its strategy to develop products that target high growth markets.

- Total revenue for the year was DKK 97.9m, compared with DKK 91.3m in 2005. The transition from sales through distributors to sales through subsidiaries caused revenue from the former distribution channels in the main markets to drop in much of 2006. The signing of new agreements with OEM customers and the acquisition of new products have compensated for this decline in revenue to the effect that the total revenue rose by DKK 6.6m and 7.2% relative to 2005.

- Revenue from Desktop Management increased by 8.7% due partly to the signing of strategic agreements on sale through new distribution channels.

- Revenue from Education was up 3% as a result of stronger efforts within Education and the acquisition of Cursum in April 2006, and in the beginning of 2007 Danware launched NetOp Instruct designed for the business segment.

- Operating profit before depreciation and amortisation of goodwill (EBITDA) was DKK 7.1m in 2006 against DKK 21.6m last year. The decline was primarily attributable to costs related to setting up the distribution subsidiaries in the US, the UK and Germany.

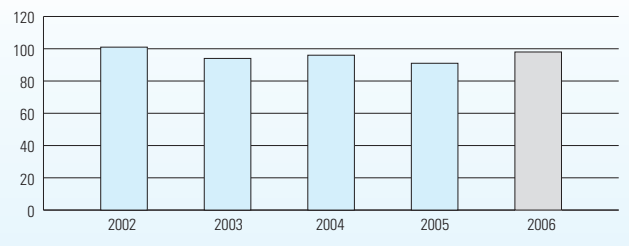
- Operating profit (EBIT) was DKK 1.1m against DKK 18.3m in 2005.

- Pre-tax profit was DKK 2.1m against DKK 21.2m in 2005, while the net profit for the year was DKK 0.7m against DKK 14.6m in 2005.

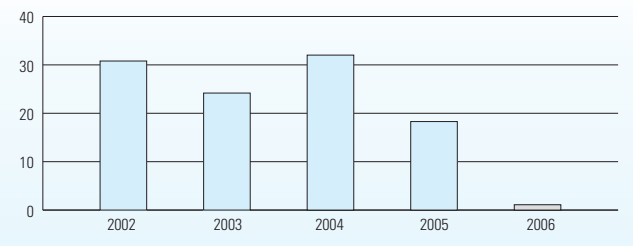
- The Board of Directors proposes that dividends of DKK 9.6m, equal to DKK 2.5 per share of DKK 5 nominal value, be paid in respect of the 2006 financial year, as a material improvement in earnings is expected in 2007.

- Due to the implementation of the new sales and distribution strategy in 2006 and a number of new planned activities in 2007, revenue is expected to be in the DKK 130-135m range, and operating profit before depreciation and amortisation of goodwill (EBITDA) is expected to be around DKK 16m.

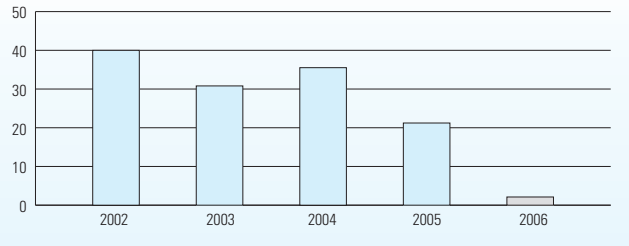
NET REVENUE, DKKm



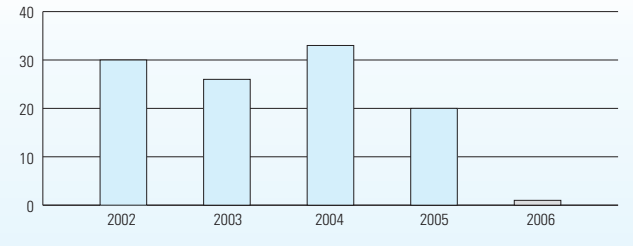
OPERATING PROFIT (EBIT), DKKm



PROFIT BEFORE TAX, DKKm



OPERATING MARGIN (EBIT MARGIN), %



FINANCIAL HIGHLIGHTS

DKK '000	2002	2003	2004	2005	2006	2006 EUR '000
Income statement						
Net revenue	101,093	94,073	95,954	91,288	97,861	13,125
Gross margin	87,349	81,312	87,525	79,701	85,400	11,454
Operating profit before depriciation and amortisation (EBITDA)	35,040	29,874	35,723	21,553	7,086	950
Operating profit before amortisation of goodwill (EBITA)	30,799	25,574	32,022	18,288	1,101	148
Operating profit (EBIT)	30,799	24,178	32,022	18,288	1,101	148
Net financials	9,190	6,626	3,495	2,936	1,015	136
Profit from ordinary activities before tax	39,989	30,804	35,517	21,224	2,116	284
Net profit for the year	27,294	20,706	24,382	14,645	670	90
Balance sheet						
Assets	294,559	305,992	227,302	223,787	226,734	30,410
Assets less cash	61,119	76,465	63,265	70,026	113,560	15,231
Share capital	19,200	19,200	19,252	19,252	19,252	2,582
Equity	284,979	278,647	211,580	208,030	208,972	28,027
Cash flow statement						
Cash flows from operating activities	27,450	24,698	30,334	17,476	(6,057)	(812)
Cash flows from investing activities	(11,278)	(2,402)	(1,743)	(8,838)	(34,382)	(4,611)
of which investments in property, plant and equipment	(5,847)	(388)	(1,264)	(2,676)	(3,406)	(457)
Cash flows from financing activities	-	(26,209)	(94,081)	(18,914)	(148)	(20)
Financial ratios						
Export ratio (%)	90	90	90	91	76	76
Operating margin (EBITDA margin) (%)	35	32	37	24	7	7
Operating margin (EBIT margin) (%)	30	26	33	20	1	1
Equity ratio (%)	97	91	93	93	92	92
Return on equity (%)	10	7	10	7	0	0
Ratios relating to shares						
Earnings per share, EPS (DKK)	7.1	5.4	6.4	3.9	0.2	0.0
Diluted earnings per share (EPS-D)	7.1	5.4	6.4	3.8	0.2	0.0
Net asset value per share (DKK)	74.2	72.4	54.9	54.0	54.3	7.3
Cash flow per share, CFPS (DKK)	7.1	6.4	7.9	4.5	(1.6)	(0.2)
No. of shares, year-end (1,000 of DKK 5 each)	3,840	3,850	3,850	3,850	3,850	3,850
Average no. of shares (1,000 of DKK 5 each)	3,840	3,844	3,850	3,850	3,850	3,850
Market price, year-end	120.0	100.5	103.1	120.0	117.5	15.76
Dividend per share (DKK)	5	25	5	-	2.5	0.34
Price earnings, P/E (DKK)	18.6	18.7	16.1	30.8	675.4	90.6
Ratios relating to staff						
Average no. of employees	43	50	52	55	72	72

Ratios is computed in accordance with "Guidelines and Financial Ratios", issued by the Danish Society of Financial Analyst in 2005. References is made to the definitions and terms applied in the section on "Accounting policies". At 31 December 2006, figures were translated from DKK to EUR using an exchange rate of 745,60.

MANAGEMENT'S REPORT

Danware went through an extensive restructuring in 2006 aimed at generating substantial progress in the upcoming period. A range of activities have been implemented to strengthen sales and distribution. They include setting up Danware subsidiaries in the United States, the UK and Germany, expanding the network of business partners and increasing sales through new channels. These activities began producing positive results at the end of 2006. This confirms that Danware's strategic efforts are the right way to go in the endeavours to significantly strengthen Danware's market position. The strategic measures are expected to lead to a significant positive development over the coming period in the form of increasing revenue and improved financial results.

In 2007, our key focus will be to strengthen on an ongoing basis our wholly-owned subsidiaries in the most significant markets as well as the overall business partner channels. The subsidiaries are expected to play an important role in connection with achieving the expected growth. The US operations are expected to make the greatest contribution to our revenue growth.

In the year ahead, Danware plans to launch new versions of its core products, and we will give priority to offering even more comprehensive solutions in each business area. In addition, we will seek to adapt our products to the fastest-growing market segments and/or segments offering the best opportunities.

DEVELOPMENT OF THE SALES CHANNELS IN 2006

The establishment of wholly-owned subsidiaries in the three main markets, the US, the UK and Germany, forms an important part of the new sales and distribution strategy. The new companies are in charge of distributing and branding NetOp products and of enhancing and developing our business partner channels – in other words, they are our means of ensuring that Danware can build a much stronger position in our core markets, which we believe to hold a big market potential for Danware's products. NetOp products will continue to be sold through Danware's business partners in the respective markets.

Establishing Danware in the United States proceeded according to plan, and the US subsidiary began operations at the beginning of August 2006. At the end of 2006, the company had contracted with about 150 business partners to sell NetOp products, about half of them being new partners, while the other half have previously sold NetOp products. We have begun to train the US business partners. The new US subsidiary quickly began to generate revenue, and by the end of 2006, it had revenue in excess of the revenue performance of the former distributor. This is a good indication that the new strategy will contribute to providing the expected results going forward.

The German and UK subsidiaries began operations in October 2006. Recruitment of the right employees for the two subsidiaries took longer than expected, but at the end of 2006 several key employees were in place. We expect revenue to climb back to previous levels within a relatively short period of time and to produce the expected increase in the course of 2007.

In connection with the decision to establish wholly-owned sales subsidiaries, the existing distributor agreements in the US, the UK and Germany were terminated. At the same time, Danware proposed collaboration on new terms. The existing distributors in the UK and Germany agreed to continue the collaboration, and they have become business partners in the new distribution model whereas the distributor in the US did not want to continue the collaboration with Danware.

In addition to setting up sales subsidiaries, a key priority was to conclude contracts with new dedicated distributors in key markets in which Danware does not have sales subsidiaries. At the end of 2006, we had signed contracts with distributors in Spain, Italy, Russia and the Czech Republic, all markets experiencing growing demand for advanced IT solutions, including within Danware's business areas. All four distributors are well established in their respective markets and have a broad customer base, for example in the financial sector, a segment in which Danware has considerable experience. The NetOp products will be sold through Danware's and these distributors' existing business partners as well as through new partners.

Danware's three-tier distribution model is composed of distributors, business partners and dealers. Each market generally has one NetOp Territory Representative (NTR), who fills the distributor role in the relevant market and who, in addition to the distribution of NetOp products, is responsible for identifying potential large customers, developing the business partner channels and increasing awareness of NetOp products in a specific geographical area. In the three largest markets, the US, the UK and Germany, Danware's wholly-owned subsidiaries fill this role, while in the remaining markets the preferred distributor will have that responsibility. Subsidiaries and distributors sell Danware's products either directly or indirectly to end users or through their own business partner and dealer networks. The business partners in Danware's distribution model are divided into three groups, Gold Partners, Certified Partners or Registered Partners, respectively, depending on a number of factors with revenue and level of competence ranking among the most important. The marketing in the individual markets is performed jointly by the distributor and the business partners on the basis of Danware's marketing concept.

Danware also worked to increase revenue through new channels, primarily through OEM customers and system integrators, as Danware's products are offered as part of larger software packages. In April 2006, Danware signed an agreement with Topnordic A/S for the sale of Danware's products for a minimum amount of DKK 35m over three years. Moreover, Danware signed an agreement in 2007 with two US OEM customers who are not competing with the existing distribution channel. Revenue through the new OEM customers has progressed as expected.

SALES AND DISTRIBUTION IN 2007

Activities already initiated in sales and distribution will be continued in 2007, just as a range of new activities will be launched. We will be focused on the following:

- Expanding the number of business partners
- Training our business partners
- Branding Danware's products
- Forging closer ties between Danware and the business partners
- Segmenting our customers

Previously, Danware typically had one business partner per country, but Danware will now work to expand the number of partners in all countries where Danware products are sold and additionally to conclude agreements with distributors (NTR's) in relevant countries. This is a prerequisite for Danware becoming more visible and for the different sales activities having a greater impact. In 2006, Danware successfully recruited new business partners in the US and will be able to draw on this experience in a number of other countries.

The recruitment of new business partners entails a need for a formalised training process. Several business partner programmes have thus been set up in addition to an actual training and certification process intended to ensure that our business partners are able to provide efficient sales and support of Danware products. The training and certification programme includes a fixed offer of sales courses and technical training courses as well as technical certification tests in Danware products. Also, an education portal, the NetOp Academy, has been established, through which the business partners have access to self-study materials and certification tests. The portal was developed on the basis of the Cursum Learning Management System taken over in connection with the acquisition of Cursum in April 2006.

Branding of Danware products is a very important activity. The overall objective of our marketing activities is to support Danware's sales organisation, business partners and subsidiaries. This includes developing and maintaining the NetOp brand as well as ensuring a continued inflow of customer leads. Branding of the NetOp products is handled through a range of different activities comprising development of marketing materials, participation in seminars and industry fairs and PR activities in the markets in which NetOp products are sold. A continuous inflow of customer leads is generated through activities on the Internet, for example marketing of search engines, Internet-based campaigns in industry media and targeted relationship marketing campaigns with special offers to customers and potential customers listed in

Danware's comprehensive database. At the same time, direct sales activities are performed vis-à-vis attractive customer leads.

Collaboration between the business partners and Danware will be intensified, and Danware's wholly-owned distribution subsidiaries will play an important part. Even greater importance will be attached to ongoing communication with and information to the business partners having customer contact so that they have optimum conditions for contributing to the generation of revenue growth. Moreover, we will jointly develop broader knowledge of the individual markets with a view to optimising the sales efforts and to a greater extent drawing on experience across the markets.

Danware has obtained a strong position in relation to customers who place heavy demands on, not least, security. This applies to the financial sector, among others. In the coming period, Danware will increase efforts to identify and approach customers in attractive customer segments across the individual markets.

MARKET TRENDS

Desktop Management

Remote Control

The mature market for traditional remote control software remains very competitive and continues to generate weak growth. Research agency IDC forecasts market growth of 0% for conventional application-based remote control software in the period until 2010.

A number of the major software providers offer remote control software integrated with major software packages (Desktop Management suites), and over time the market has seen shifting preferences for the use of either best-of-breed products or integrated products. In terms of conventional remote control software, the current trend appears to be towards growing use of integrated products except for high-end customers who often have a number of specific requirements to product security, stability, and speed that are generally only satisfied through best-of-breed products.

In connection with the acquisition of the M-Net product from Top Nordic A/S, Danware has chosen to offer more comprehensive solutions, but with a view to differentiating the Danware brand in terms of products as well as commercially in order to identify new business opportunities and niche markets.

Internet-based remote control

Demand for and the use of new Internet-based remote control solutions are potential growth drivers. Internet-based remote control solutions provide much greater problem-solving flexibility, because the user in need of support does not have to install special-purpose software but can simply have the necessary software downloaded as needed. This type of solution is not available as an integrated part of large software packages.

Remote control in new business segments

In light of the growing use of PDAs (Personal Digital Assistants) and the increased functionality generally available in mobile technology, the market for remote control of mobile equipment (other than PCs) is showing substantial growth. Accordingly, Danware is positioning itself in this market in order to capitalise on this growth opportunity. In addition, Danware has increased its focus on other electronic equipment (robots and similar devices), as this market is expected to grow to offer a future potential that Danware has the technology to capitalise on.

Education

The market for teaching software is evolving in line with an increased use of IT in teaching in the educational sector as well as in enterprises, and the launch of products that gradually satisfy the demand for greater teaching efficiency. In addition, the market is becoming ever more competitive in terms of both price and product content. This segment will also see a gradual transition to Internet-based solutions. In the education sector, the growing use of Internet-based tools is leading to the formation of "hybrid schools", i.e. schools that combine teaching in both physical and virtual classrooms and where eLearning, developing educational material and tests are integral components of teaching. A large part of our customers prefer one-stop shopping, that is to buy complete

solutions matching their needs, but in these areas many customers also choose best-of-breed products.

Companies see an ongoing increase in the use of eLearning, for example as a result of companies' increased focus on human resource development and productivity. This form of teaching and learning increases flexibility, reduces costs in connection with training in for example new products, and supports companies' activities with a view to establishing standards for inter-disciplinary knowledge standards.

Security
In the security segment, the increased use of laptops outside corporate networks through Internet connections in hotels, airports and other public locations means that protection of communication available to and from a company's network is inadequate.

Accordingly, the market for solutions in IT security is expanding in line with the ever-growing complexity of security requirements. In today's environment, focus is on end-point security involving individual PCs and on centrally managed security solutions in line with IT policies and on safe use of the Internet.

An increasing number of enterprises and institutions are introducing policies for the use of the Internet and external media (e.g. CD-rom and USB) etc. The demand for software able to ensure efficient implementation of such policies is increasing.

PRODUCT DEVELOPMENT AND NEW PRODUCTS

By leveraging on innovative and reliable technology, Danware has over a number of years built up an attractive position in the global market for remote control and teaching software, and we are currently developing our position within the area Security.

Danware aims to develop a stable flow of leading products in selected business areas and to ensure that these products may be combined in more comprehensive solutions.

Technology innovation in general and, in particular, the growing use of the Internet media creates new demands and presents new opportunities for software products in the business areas in which Danware operates. Danware always seeks to adapt its products to new opportunities and at the same time endeavours to offer more comprehensive products within each business area. The aim is to target the high growth market segments in which Danware offers attractive solutions based on its technology. In recent years, Danware has worked at full speed to develop Internet-based products, products for PDAs, including mobile devices, and to expand the product portfolio within each business area.

The following products are offered in the business area Desktop Management:

- **NetOp Remote Control**, which is application-based software for remote control of one or more computers from another computer, requires software to be installed on the computers to be remotely controlled. NetOp Remote Control is Danware's largest product to date.
- **NetOp On Demand Remote Control**, which is an Internet-based solution for remote control of computers (launched in 2005). This solution does not require any pre-installed software, but solely an operator working by the computer.
- **NetOp Mobile**, which is a solution for remote control of and from various mobile equipment in addition to computers (launched in 2006).
- **The M-Net product** is a set of tools to standardise the implementation and operation of Microsoft-based networks minimising resource requirements in day-to-day operations. The M-Net product comprise software and operating system installation, inventory, software metering and asset management.

The following products are offered in the business area Education:

- **NetOp School**, which is the core product in Education, is a software application for computer-based classroom teaching.

- **Cursum products**, which comprise solutions in Learning Content Management (Cursum was acquired in 2006).
- **NetOp Instruct**, which was launched after the end of the financial year (January 2007) is a software solution for networked teaching and collaboration in businesses. The software targets businesses and organisations and is a plug 'n play program for IT-based teaching and knowledge sharing based on experience with NetOp School.

The following products are offered in the business area Security:

- **NetOp Process Control (NPC)** is a further development of the NetOp Desktop Firewall previously launched. The product handles processes and communication to/from the Internet and thereby protects the individual computer.
- **NetOp NetFilter** is a solution, which based on advanced image and text analysis (neural network) in real time (that is while you are using the browser) can filter out unwanted Internet pages (launched in February 2006) and thereby contribute to enforcing corporate IT policies.

The purpose of all security products is to protect the individual computer, and this is done, among other things, by facilitating the implementation of corporate IT policies. It also provides the advantage that all products can be centrally controlled so that minimum interaction takes place with the daily users of the computers.

In 2006, Danware focused on developing new versions of the products in our two largest business areas and on integrating and adapting/further developing acquired products. New versions of NetOp Remote Control and NetOp School were launched in 2006, and Danware also launched NetOp NetFilter and NetOp Mobile.

NetOp Remote Control 9.0

In June 2006, Danware launched a new version 9.0 of its core product NetOp Remote Control. The new version offers a range of new functions and also features an improvement of security. NetOp Remote Control 9.0 enables helpdesk personnel to identify themselves by using a Smart Card. In addition, NetOp Remote Control features powerful encryption and access to logging events locally and/or centrally on the security server. In addition, helpdesk personnel and users can now communicate during support sessions via web-cam and a chat session with real-time sound and image transfer between computers. In situations where NetOp Remote Control is used for monitoring multiple computers, NetOp featuring a new monitor function can be set up to alternate between them, and there is an option to automatically restore the connection to the computer being monitored if the connection is lost.

NetOp Mobile

In October 2006, Danware launched the NetOp Mobile, a product developed from the company's remote control software. NetOp Mobile was developed to support PC-based remote control of different kinds of mobile (non-PC) equipment.

Danware has developed NetOp Mobile as part of its strategy to develop products that target high growth markets. The use of PDAs is spreading rapidly. Research agency IDC forecasts an increase in the number of "mobile workers" from 650 million in 2005 to 850 million in 2009 (Source: IDC, Worldwide Mobile Worker Population Forecast and Analysis 2005-2009). This is a group of workers with the need to communicate with their head offices, and the companies will demand tools supporting mobile equipment and securing information flows between companies and their "mobile workers".

The boundaries between a PDA, a handheld computer and a mobile phone are gradually becoming blurred. Moreover, an increasing number of products for the consumer market are equipped with a CPU, and the mobile device segment is very attractive to Danware. Owing to the company's technological know-how within its established business areas, the potential for becoming a significant player in this rapidly growing segment is believed to be good.

NetOp Mobile specifically addresses a need in companies that have a lot of employees working off-premises using mobile equipment, such as sales organisations, transport companies and health organisations.

NetOp Mobile allows them to securely transfer files, update software, send messages and provide technical support.

NetOp Mobile is among the few software products that can be connected to equipment running on mobile networks.

Since launching NetOp Mobile, Danware has signed several large agreements.

NetOp School 5.0
In May 2006, Danware launched a new version 5.0 of NetOp School. The new version contains a large number of new and important functionalities providing better opportunities for keeping students on track and for conducting detailed and useful student progress tests. NetOp School 5.0 enables teachers to monitor the activity of each student and to broadcast his own or any student's screen to all computers in the classroom. If a student runs other programs or Internet pages than those relevant for the teaching session, the teacher can shut down, hide or deny access to the program in question. NetOp School links up with electronic blackboards to provide a new dimension in student involvement in the teaching process. Also, a number of major technical improvements were made to accommodate the growing use of wireless networks.

NetOp NetFilter
In February 2006, we launched the NetOp NetFilter, a product applying advanced image and text analysis to block unwanted Internet pages with undesirable content such as pornography, violence, racism or recipes for bomb making. This is one of the very few net filters on the market today applying image analysis. Images are analysed on the basis of a number of content criteria, and an artificial intelligent network (neural network) handles the complex process of analysing images by simulating the ability of the human brain to separate, for example, pornographic from non-pornographic images. The NetOp NetFilter combines image analysis with text analysis. The NetFilter features the technology Danware gained access to when acquiring a 50% stake in EnoLogic in November 2005.

Initially, the NetOp NetFilter will be promoted to businesses and institutions in a number of major European markets, but it will also be marketed to private individuals.

Product launches
Over the next 12 months, new versions of Danware's most important products will be launched, and these versions will be adapted to Microsoft's new platform, Vista. Danware attaches importance to continually offering more comprehensive solutions within the individual business areas, while at the same time seeking to adapt its products to new segments with the strongest growth.

ACQUISITIONS OF COMPANIES AND TECHNOLOGIES

Cursum
In April 2006, Danware acquired Cursum, a software business that had developed a Learning Content Management System, which is a technical platform enabling organisations to develop, implement and manage courses, training programmes and questionnaires to employees, customers and business partners via the Internet. In addition, the product is available in a version used by companies in their competence management, i.e. to secure that the company has the right people with the right skills in their organisation or provide an overview of lacking qualifications and development areas. The product is one of the best on the market today.

The acquisition enabled Danware to expand its current product assortment in computer-based teaching, including competence management, and to integrate the product with the technology we acquired when taking over Etiro. In other words, the acquisition has strengthened Danware's potential for becoming a significant player in both online and offline teaching as well as managing these resources.

Danware has initially sold the Cursum product on a standalone basis, but eventually we will work to integrate its functionality in Danware's other products for computer-based teaching. In addition, we plan to add a number of NetOp technology features to the product.

So far, Cursum has mainly marketed its products in Denmark, but Danware initiated promotion of the products through its existing distribution channel.

The price to acquire all shares in Cursum was DKK 1m. The company also signed a three-year earn-out agreement with the now former owners of Cursum.

Revenue from Cursum products developed as anticipated, and since the acquisition the products have been adapted to fit Danware's product standards. Danware expects to launch the NetOp version of the Cursum products in the beginning of 2007.

M-Net

In April 2006, Danware agreed to acquire the product M-Net from Topnordic A/S. M-Net is a set of tools to standardise the implementation and operation of Microsoft-based networks minimising resource requirements in day-to-day operations.

More than 75 Danish businesses use M-Net – both in the public and private sectors. The total number of users is about 35,000. The smallest businesses have 50 users, the biggest ones more than 5,000.

Danware's core desktop management product is the range of NetOp Remote Control products. The desktop management business also comprises a number of other activities, including the functionality featured by M-Net. The purchase of M-Net is a major addition to Danware's desktop management product portfolio, and the new product is expected to help build the desired growth in Danware's revenue in the upcoming period.

M-Net is initially being marketed as a stand alone product. M-Net has generally only been available in Denmark to date, but Danware is promoting the product to new and existing customers through the company's existing distribution channel.

The price of these business operations was DKK 25m.

OWNERSHIP AND MANAGEMENT

In April 2006, chairman Ib Kunøe acquired additional shares in Danware A/S, subsequently holding 25% of the total share capital through his companies
Consolidated Holding A/S and Pierre Robert A/S.

In August 2006, chief sales officer Per Pedersen resigned his position and Michael Graves, who was responsible for setting up Danware's US subsidiary, among other things, was appointed new chief sales officer.

BOARD DECISIONS AND PROPOSED RESOLUTIONS FOR CONSIDERATION BY THE ANNUAL GENERAL MEETING

Dividends

At least once a year, the Board of Directors assesses the size and the composition of Danware's capital base against the background of the company's strategy (including, in particular, investment opportunities and investment plans), expectations for financial results and cash flows and relevant uncertainty and risk factors. The dividend for the year is then determined on the basis of this assessment.

The Board of Directors has previously approved a dynamic dividend policy, comprising a pay-out ratio of at least 50% of the profit for the year, possibly in a combination with share buyback programmes.

Danware implemented a number of strategic initiatives in 2006, including changes to the sales and marketing strategy. In addition, we are working proactively to strengthen Danware through the acquisition of companies or technologies that can strengthen Danware's position and create a platform for growth. Initially, these changes will trigger an increase in costs and the need for substantial financial leverage.

Due to Danware's substantial financial strength and the company's expectations of a material improvement in profit in 2007, the Board of Directors proposes that dividends of DKK 9.6m, equal to DKK 2.5 per share of DKK 5 nominal value, be paid in respect of the 2006 financial year.

Other resolutions
At 1 June 2006, VP Securities Services acquired Nordea's and Danske Bank's shareholder registrar services.

The Board of Directors proposes, that VP Securities Services be appointed the company's registrar.

Furthermore, the Board of Directors recommends that the article concerning discharge be deleted from the articles of association.

In addition, the Board of Directors intends to propose that its authority to acquire Danware shares up to a holding of 10% of the company's share capital be renewed.

OUTLOOK FOR 2007

Danware plans to continue implementing the activities outlined in the revised sales and marketing strategy as well as to launch a number of other activities intended to strengthen the business base and create a platform for growth.

Danware's three subsidiaries began operations during the last six months of the year, and they will play a key role in achieving the anticipated growth. The new companies distribute and brand the NetOp products and work to strengthen and develop our business partner channels, and Danware will significantly increase activities in these areas in 2007. Thus, the company expects to regularly expand the number of partners – both on the markets where Danware's subsidiaries are present and on all other markets. Extensive efforts will be made to ensure that new business partners receive comprehensive training in Danware's products. For example, we have established a certification programme. Additionally, the branding of Danware's products will be intensified.

In the year ahead, Danware plans to launch new versions of its core products, and we will give priority to offering even more comprehensive solutions in each business area. In addition, we will seek to adapt our products to the fastest-growing market segments.

Danware forecasts increased revenue from all three business areas and all significant markets, based on the sales and marketing activities, the launch of new versions of core products and high growth in several of the market segments, in which the company operates. The US is expected to contribute the greatest increase in revenue.

For the 2007 financial year, overall revenue is projected to be in the range of DKK 130-135m. The revenue forecast is based on a DKK-USD exchange rate of 5.8. A DKK 0.1 change in the DKK/USD exchange rate would have a DKK 0.7m impact on revenue.

The implementation of Danware's growth strategy triggered higher levels of development, marketing and staff costs. Costs relating to these areas are anticipated to increase in 2007, but earnings are forecast to improve significantly as a result of the expected increase in revenue. Against this background, operating profit before depreciation and amortisation (EBITDA) is expected to be approximately DKK 16m.

FORWARD-LOOKING STATEMENTS
The above forward-looking statements, including in particular the forecasts of future revenue and operating profit, reflect management's current expectations for future events and are subject to risk. Several factors, some of which will be beyond Danware's control, may cause actual developments and results to differ materially from the expectations expressed. Such factors include, but are not limited to, general economic developments and developments in the financial markets, technology innovation, changes and amendments to legislation and regulations governing Danware's markets, changes in the demand for Danware products, competition, and the integration of company acquisitions.

See "Risk factors" on page 21 of this annual report.

KNOW-HOW AND COMPETENCIES

As a high-tech software business, Danware considers developing and adapting technology, being able to identify and accommodate customer needs and having skilled and committed employees as some of the most essential requirements for maintaining the company's competitive strength.

Technology know-how

Over the past several years, Danware has developed specialist know-how in the remote controlling of computers. Thus, the company's products enjoy a strong technological position relative to competing products thanks to Danware's unique technology for screen transfers, the special security features of its products and the extensive compatibility with different system platforms. Combined with acquired technologies, the company's proprietary technology has been applied to develop additional solutions in other business areas.

Danware develops the products on the basis of a core proprietary technology: the NetOp technology, and all Danware products and segments are based on the core components of this technology. "Reusing" the technology is a means of ensuring a fast and efficient development process.

Danware seeks to develop its technology in an ongoing process based on in-house development and acquisitions of competencies that support the company's technological position. At the same time, Danware assesses and optimises its development processes on an ongoing basis to cut down the time-to-market and to improve the quality of its end products.

Knowledge about customer needs and market trends

End users of Danware's NetOp Remote Control products are mainly individual customers' Help Desks. End users of NetOp Process Control and NetOp Netfilter are network administrators. NetOp School is primarily aimed at professional teachers, and Netop Instruct is primarily aimed at businesses and professional organisations in need of knowledge sharing and staff training. NetOp Learning Center, the previous Cursum product, is aimed at organisations and institutions in need of e-learning and competence assessment. Possessing detailed knowledge about their work situation and user needs for special tools is therefore essential to Danware. This knowledge is achieved in close discussions with customers and through Danware's in-depth knowledge about general technology developments in the company's business areas. Based on the customer dialogue, Danware lists requests for new and for improvement to existing functionality, using it in the development of new versions of Danware products.

Danware also cooperates closely with a number of major customers, and these relationships can lead to the development of special kinds of functionality, which is incorporated in future versions of Danware products.

Over time, Danware's business areas will undergo extensive technological change and demand patterns will change significantly. It is therefore crucial for Danware to possess extensive knowledge about new market trends and technologies. Every Danware employee has an obligation to take part in this process and a special team has been especially assigned with coordinating and outlining main trends and potential strategies. The structure of the company's distribution channel, including the establishment of subsidiaries in the three core markets, helps to strengthen Danware's knowledge of the markets and the company also forged closer ties with its business partners selling Danware products.

Employee development

Danware is a knowledge-intensive business and having skilled and motivated employees is a prerequisite for Danware to be competitive in the future market and uphold growth and satisfactory earnings. Danware encourages employees to proactively take part in knowledge sharing at all levels in order that ideas can be transformed into viable products demanded by the market.

To date, Danware has not experienced any difficulty in attracting qualified, skilled employees and the company spends a lot of resources on ensuring the right match between employees and company.

At the beginning of 2006, Danware conducted an employee survey focusing on job content and development opportunities, job satisfaction, cooperation, communication and management quality. The survey has pinpointed strengths and

focus areas and based on the result of the survey a process contributing to strengthening Danware was initiated.

A management development programme for Danware's management team was initiated in 2005, aiming, among other things, to identify and define key management values and to strengthen management quality. This programme continued in 2006 and will be continued in 2007.

As a result of the acquisition of M-Net, nine new employees dedicated to work with this product joined Danware. The employees have been integrated into Danware's organisation and they are working at Danware's office in Århus. In connection with the acquisition of Cursum, Danware acquired four employees, who are now all working at the corporate headquarters in Birkerød. The integration of the employees is progressing to plan.

In 2006, Danware established subsidiaries in the US, the UK and Germany. In the US, Danware employs a staff of eight, who are primarily engaged in developing the sales channel on the US market. A significant part of these employees possess considerable experience from the US market for IT services and have extensive experience in developing partner-driven sales channels, including from Microsoft. At the end of 2006, Danware employed a staff of six and five people in the UK and Germany, respectively, and the company expects to increase staff as Danwares anticipated growth in these markets materialises.

At the end of 2006, Danware had 84 employees. In spite of its relatively small number of employees, Danware has deliberately developed an international corporate culture with its employees having substantial experience in international relations. This provides Danware with distinct language and cultural competencies that serve to bond the company's customers and business partners closer to our company and lift revenue.

SHAREHOLDER INFORMATION

Shareholder information
At 31 December 2006 Danware's share capital amounted to DKK 19,252,140, consisting of 3,850,428 shares of DKK 5 nominal value. The share capital was unchanged compared with the end of 2005.

Danware's shares are listed on the Copenhagen Stock Exchange under securities identification code DK0010288125 and the symbol DANW. Danware shares are a component of the SmallCap+ index on the Copenhagen Stock Exchange.

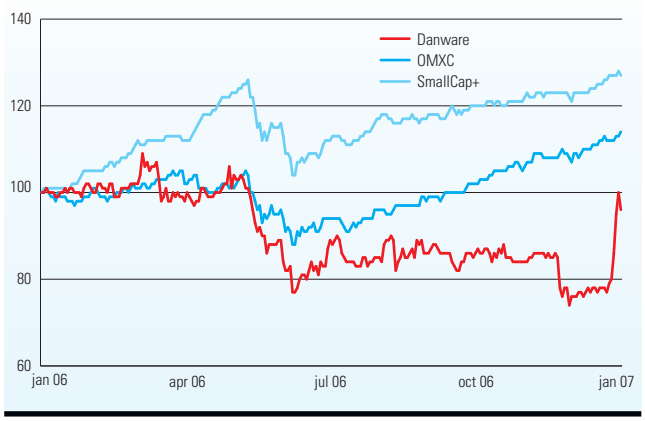
At 31 December 2006, Danware's shares were quoted at DKK 117.50 compared with DKK 120.04 at 1 January 2006, a drop of 2.1%. By comparison, the Copenhagen Stock Exchange SmallCap+ index and all-share index rose by 27% and 14%, respectively, during the same period.

As a result of the declining share price over the course of the financial year, Danware's market capitalisation dropped from DKK 462m at the beginning of the year to DKK 452m at year end 2006.

A total of 1.4m Danware shares were traded on the Copenhagen Stock Exchange during 2006, corresponding to approximately 36% of the outstanding shares at 1 January 2006. In 2005, just over 2 million Danware shares changed hands.

Danware's shares are covered by analysts from ABG Sundal Colliers and Gudme Raaschou.

SHARE PRICE IN 2006: DANWARE, SMALLCAP+ AND OMXC



Ownership
At 31 December 2006, the company had just over 1,200 registered shareholders, who represented approximately 93% of the share capital. The following shareholders have notified Danware that they hold more than 5% of the company's share capital:

- Peter Grøndahl,
  Øverødvej 38, DK-2840 Holte (15.04%)
- Consolidated Holdings A/S
  Fredheimsvej 9, DK-2950 Vedbæk (15%)
- Lønmodtagernes Dyrtidsfond, Vendersgade 28,
  DK-1363 Copenhagen K (11.9% at 26 August 2005)
- Pierre Robert A/S,
  Lautrupvang 6, DK-2750 Ballerup (10%)
- Ole Bjørn Setnes,
  Øverødvej 72 B, DK-2840 Holte (8.07%)
- Søren Peter Andersen,
  Helsingevej 40, DK-2830 Virum (8.07%)
- PFA Pension, Marina Park, Sundkrogsgade 4,
  DK-2100 Copenhagen Ø (5.1% at 1 February 2002)

Danware held 50,957 treasury shares at 31 December 2006 (50,957 at 31 December 2005), equivalent to 1.3% of the share capital.

Dividend
Dividends are adopted by the shareholders in general meeting. The Board of Directors proposes that dividends of DKK 9.6m be paid, equal to DKK 2.5 per share of DKK 5 nominal value.

Annual General Meeting
The company's Annual General Meeting will be held on 24 April 2007 at 1.00 pm at the Danish Centre for Architecture, Strandgade 27B, DK-1401 Copenhagen K, Denmark.

Investor Relations

Danware's ambition is to provide strong and reliable information. By pursuing open and active communications with investors, analysts, the press and other stakeholders, the company aims to provide the equity market with the optimum foundation from which to price Danware's shares. The company communicates with investors through regular announcements, investor presentations and individual investor meetings. Danware's web site, www.danware.dk, the primary source of information for the company's stakeholders, regularly provides new and relevant information about Danware's performance, activities and strategy. The web site also contains a separate section on the 2007 Annual General Meeting, from which it is possible to see or download the annual report or to register for the Annual General Meeting. Moreover, the articles of association and the notice convening the Annual General Meeting are available on the web site. Shareholders, analysts, investors, securities companies and other interested parties should direct any questions about Danware to:

Danware A/S
Bregnerødvej 127
DK-3460 Birkerød
Contact: Lars Søndergaard, CFO
Tel: +45 4590 2525
E-mail: investor@danware.dk

FINANCIAL CALENDAR 2007

24 April 2007	Annual General Meeting
22 May 2007	Quarterly report Q1 2007
14 August 2007	Quarterly report Q2 2007
20 November 2007	Quarterly report Q3 2007
31 December 2007	End of 2007 financial year

ANNOUNCEMENTS IN 2006

17 January 2006	Danware lands strategic order in the Norwegian healthcare sector
19 January 2006	Financial calendar 2006
15 February 2006	Launching a new security product: the NetOp Netfilter
14 March 2006	Resume annual report 2005
14 March 2006	Annual report 2005
22 March 2006	Danware begins negotiations to acquire software business Cursum
4 April 2006	Notice convening annual general meeting
7 April 2006	Insiders' tradings
7 April 2006	Notification from major shareholder Consolidated Holdings A/S
7 April 2006	Notification from major shareholder Ole Bjørn Setnes
7 April 2006	Notification from major shareholder Søren Peter Andersen
19 April 2006	Danware setting up subsidiaries in the UK and Germany
20 April 2006	Development of annual general meeting 20 April 2006
25 April 2006	Danware acquires the product M-Net from Topnordic
26 April 2006	Danware agrees to acquire software business Cursum
23 May 2006	Quarterly report Q1 2006
30 May 2006	Launch of NetOp School 5.0 and NetOp Remote Control 9.0
7 June 2006	Partnership with US distributor discontinued
3 August 2006	Per Pedersen has resigned his position as sales officer
15 August 2006	Quarterly report Q2 2006
5 October 2006	Launching NetOp Mobile
21 November 2006	Quarterly report Q3 2006
22 December 2006	Strong growth in 2007 owing to Danware's strategy

CORPORATE GOVERNANCE

Danware's Board of Directors emphasises the importance of practising good corporate governance and that the overall management matters are planned in an expedient manner and to the effect that the company meets its obligations to its shareholders, employees, authorities and other stakeholders while serving to maximise long-term value.

Management monitors trends in corporate governance, including legislation, good practice and recommendations, seeking to enhance the company's own standards in this field.

Being a Danish company listed on the Copenhagen Stock Exchange, Danware is subject to the rules laid down by the Copenhagen Stock Exchange. "Recommendations for good corporate governance" is part of the disclosure requirements for listed companies and imply that companies are required to comment on their position relative to the recommendations according to the "comply or explain" principle.

Danware generally complies with the recommendations for good corporate governance issued by the Copenhagen Stock Exchange except for the fixing of an age limit for board members elected at the general meeting.

Shareholders and other stakeholders

Danware's management aims for and endeavours to maintain constructive communications and dialogue with shareholders and other stakeholders. The company aims for a high degree of openness and to effectively communicate information.

The communications with and the information provided to shareholders and stakeholders consists of quarterly financial statements and other announcements from the company and through meetings with investors, analysts and the press. Quarterly financial statements and other announcements are made available from Danware's website immediately after they are released. The website also provides material used for investor presentations. Danware makes continuous efforts to strengthen the electronic communications with its shareholders.

Danware's Board of Directors regularly discusses the capital structure and share structure of the company and assesses whether it is consistent with the interests of the company and its shareholders. Danware has one class of shares and the company's articles of association contain no restrictions as to ownership or voting rights. The Board of Directors assesses that the company's share structure and capital structure are appropriate at present. Danware's strategy includes making acquisitions that support the company's product portfolio and strengthen its market position. Therefore, Danware has chosen to maintain sufficient cash resources to facilitate own financing of prospective acquisitions.

If an offer is made to take over the company's shares, the Board of Directors will, as prescribed by law, give open consideration to the offer and communicate the offer to the shareholders accompanied by the Board's comments.

The general meeting is the company's supreme decision-making authority and the Board of Directors finds it important that the shareholders receive detailed information on the matters to be considered at general meetings. All shareholders are entitled to attend and vote at general meetings, provided they have obtained an admission card as prescribed by the articles of association. At general meetings, shareholders are free to ask questions to the Board of Directors and the Management Board. Within a given deadline, they can also submit resolutions for consideration by the Annual General Meeting.

The Board of Directors' work

The Board of Directors defines the company's goals and strategies and approves overall budgets and action plans. In addition, the Board of Directors supervises the company in a general sense and ensures that it is managed in an adequate manner and in accordance with Danish legislation and the company's articles of association. The framework for the duties of the Board of Directors is laid down in the rules of procedure which are reviewed at least once a year and modified as and when required. The rules of procedure were most recently modified in 2006.

The rules of procedure include procedures for the Management Board's reports, the working methods of the Board of Directors and a description of the Chairman's duties and responsibilities.

The Board of Directors normally holds five to ten meetings per year or as required. Six Board meetings were held in 2006. On two occasions, a Board member had to make apologies for absence. The Board has a regular agenda for its meetings and one of the meetings is a strategy seminar.

The Board has not found reason to set up any board committees.

The Board is continually updated on the company's situation, including through two monthly reports on, among other things, the performance and management of core activities.

Composition of the Board of Directors

The Board of Directors has seven members. Four members are elected by the shareholders and three are elected by the employees of the company. The Board members elected by the shareholders serve for terms of one year. The company has not fixed an age limit for Board members. To date, the company has not found any reason to fix such limit as the Chairman evaluates the competencies of the individual Board members on an ongoing basis and an annual review is performed of the work of the Board of Directors and each individual Board members. Board members elected by the employees of the company serve for a period prescribed by the Danish Public Companies Act (currently four years).

Details on the individual Board members can be found on page 39 of this annual report.

Half of the Board members elected by the shareholders are considered to be independent: Ib Kunøe, who holds 25% of the shares in Danware A/S, and Claus True Hougesen. The other two Board members elected by the shareholders are considered not to be independent: Peter Grøndahl is CEO of Danware, and Henning Hansen, attorney and partner of the law firm of Philip & Partners, is one of a number of legal advisers to Danware. However, the business relationship between Philip & Partners and Danware is not considered to be of material importance to any of the parties.

The Board of Directors has been composed so as to ensure continuity, representation of competencies that are key to Danware and the ability to implement Danware's strategy aiming to generate renewed growth and strengthen Danware's market position. The Board members elected by the shareholders have broad experience in general business management, information technology, sales to professional customers and international relations.

In connection with the nomination of new candidates to be elected to the Board of Directors at the Annual General Meeting, the Board of Directors will send out prior to the general meeting a presentation of each candidate's background and relevant skills as well as management positions and demanding directorships held by each candidate. The Board also motivates the nomination relative to the recruitment criteria it has defined.

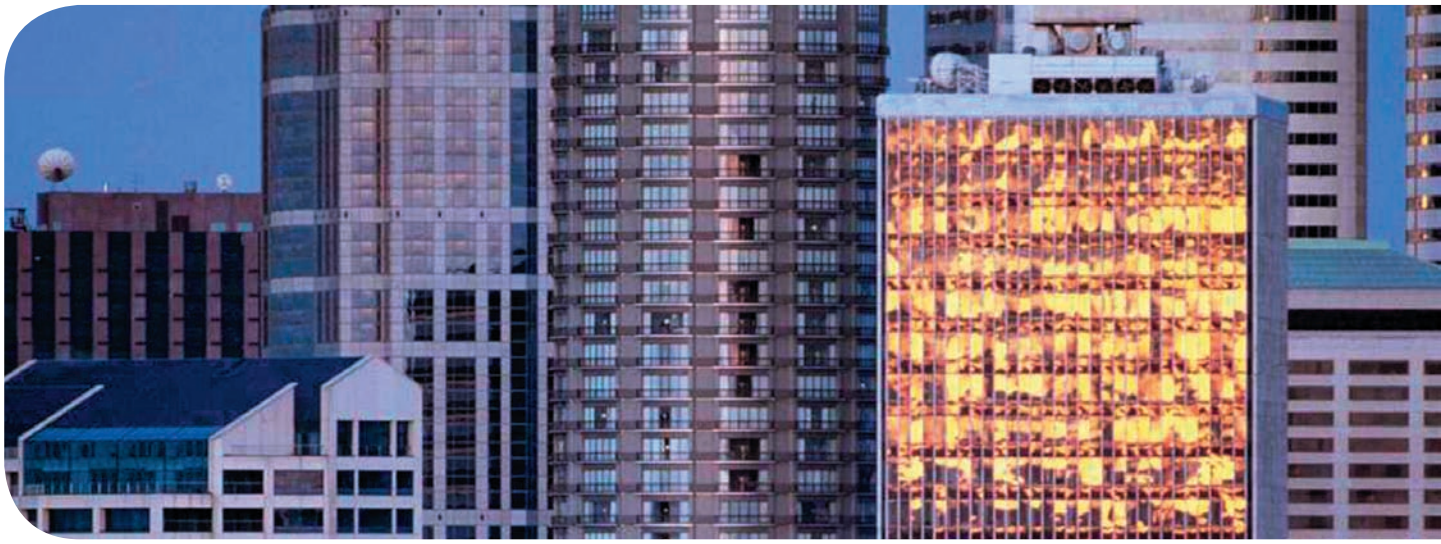
Management Board

The Management Board is appointed by the Board of Directors and is responsible for the day-to-day management of Danware. The Management Board is also responsible for drafting proposals for overall goals, strategies and action plans and for preparing budgets and policies for the operational management of the company.

In addition to the Management Board, which has one member, Danware management team consists of executives in charge of sales and marketing, development and finance.

Assessing the work of the Board of Directors and the Management Board

Danware performs an annually-recurring self-evaluation process for the purpose of enhancing the work of the Board of Directors and the Management Board and to strengthen the platform for the company's further development. The evaluation is both oral and written and includes an assessment of the quality of reporting from the Management Board to the Board of Directors, the cooperation between the Board of Directors and the Management Board and the competencies



available to the Board of Directors. The most recent evaluation took place in the autumn of 2006, and as a result of the evaluation, more attention will be in the upcoming period be given to continuing the strategic efforts initiated.

Remuneration of the Board of Directors and the Management Board

Danware seeks to ensure that the remuneration of the Board of Directors and the Management Board is competitive and reasonable and sufficient to ensure that Danware is able to attract and retain competent candidates.

Members of the Board of Directors receive a fixed annual remuneration and the total remuneration to the Board of Directors is approved by the shareholders in connection with the adoption of the annual report.

The remuneration paid to the board members in 2006 amounted to a total of DKK 800,000, of which the Chairman received DKK 200,000. Currently, members of the Board are not covered by any incentive schemes or bonus plans.

Remuneration of the Management Board, which currently consists of the Chief Executive Officer, is determined by the Board of Directors. In 2006, remuneration to the Chief Executive Officer consisted of a base salary and certain benefits. The terms of employment of the Management Board, including remuneration and severance terms are deemed to be consistent with ordinary standards for a position of this nature and do not entail any special liabilities on the part of the company.

The Chief Executive Officer is not covered by an incentive scheme.

The incentive scheme for the other executives is described on page 60.

Risk management

The Board of Directors is responsible for ensuring that the company has effective risk management – including the identification of material risks relating to the business operations and the defined strategy – that a policy and a framework is defined for the company's risk and that systems are developed for risk management. The policies and guidelines for the operating and financial risk management are adopted by the Board of Directors, and reporting of risks is a component of the regular reporting to the Board. See page 21 for a more detailed presentation of the risk factors Danware is exposed to.

Audit

Danware's independent auditor is appointed by the shareholders in general meeting for terms of one year. Before nominating a candidate for appointment by the shareholders, the Board of Directors makes a critical assessment of the auditor's independence, qualifications, etc.

The framework of the auditor's duties, including the fixing of fees, audit-related and non-audit work, is set out in a written agreement.

In their review of the annual report, the auditors review the material aspects of the accounting policies and discuss their observations with the Board of Directors.

The Board reviews the in-house control systems at least once a year with a view to ensuring that the systems are appropriate and adequate and that they comply with generally accepted practise.

RISK FACTORS

Danware seeks to counter and reduce risks that the company can influence through its own actions. Danware's business involves a number of commercial and financial risks, including the impact of global economic trends.

Risks deemed to possibly have an adverse effect on the company's future growth, operations, financial position and results are described in the sections below. The description is not exhaustive, nor are the risk factors described presented in any order or priority.

COMMERCIAL RISKS

Product development, technologies and compatibility

Danware's business platform is primarily based on the proprietary technology, the NetOp technology, used in most of the software applications in the three business areas Desktop Management, Education, and Security. The company's future success, including its ability to secure growth, depends on its ability to continue to improve existing products as well as to develop and launch new products adapted to cutting-edge technology.

The growing use of the Internet media raises new demands and presents new opportunities in the business areas in which Danware operates. The demand for Internet-based solutions in Danware's business areas is increasing, whereas growth in the demand for conventional application-based solutions is moderate with a falling trend. Danware has developed an Internet-based version of its main product in Desktop Management, NetOp Remote Control., and Internet-based versions of several of the other products are currently being developed. This switch-over is crucial in generating the desired future growth.

In addition, Danware seeks to create more diversified solutions within its business areas, and the company also seeks to adapt its software solutions so that they can be used to remote control devices other than conventional computers – including mobile equipment. The successful development and subsequent efficient positioning of these solutions will be essential to Danware's opportunities to move into new growth areas.

The software market is dependent on developments in the market for operating systems and software platforms as these products generally determine how software is developed. Microsoft Corporation presently sets the standard for operating systems. When new versions of operating systems are launched, software manufacturers, including Danware, have to adapt their products to any new standards. The launch of new versions of existing operating systems and new types of operating systems could adversely affect Danware if such launches result in a need for comprehensive programming changes to existing products. To date, Danware has been able to solve the challenges arising from the launch of new operating systems and software platforms.

To ensure compatibility with the latest versions of operating systems and software platforms for which Danware develops software, the company relies on software development kits from the respective manufacturers. Management believes that there is a minimal risk that access to such development tools will be hindered.

Protection of technology

Danware's software products and underlying technology are proprietary and form the basis for the company's business, and Danware actively seeks to protect its rights through trademark registration, among other things. However, these activities only offer limited protection against copying and unauthorised use which may lead to a reduction of the sales of Danware's products.

Competition

Danware operates in three markets: the market for remote control software, the market for software that enables and supports computer-based teaching and the market for security software products. All markets are characterised by fierce competition, rapid technological innovation and changes in customer needs.

Remote control software is sold by specialists, who manufacture stand-alone software, by generalists, who manufacture complete software suites and by various manufacturers of operating systems.

If remote control functionality contained in general software suites or operating systems is substantially enhanced, or if software from Danware's competitors is included in software suites or is included as a component of hardware/software package solutions, this could have an adverse effect on the sale of Danware's products. Experience suggests that when remote control functionality forms part of a software suite or part of a comprehensive hardware/software solution, the benefits of remote control is reduced. This experience is confirmed by research agency IDC. However, Danware is experiencing growing competition in this respect.

Establishment of subsidiaries

In 2006, Danware established subsidiaries in the US, the UK and Germany and recruited local employees with extensive experience from the IT business and in-depth knowledge of the individual local markets. In connection with establishing the subsidiaries, Danware focused on organising the operations in the companies according to local circumstances and rules and has taken out necessary insurance securing the companies and operations should accidents occur. On establishing the companies, Danware has assumed increased commercial and financial risks. However, management believes that these risks are limited relative to the growth potential expected to result from the establishment.

Human resources

Having skilled and motivated employees is a prerequisite for Danware to uphold growth and satisfactory earnings. Danware's future success depends, among other things, on its ability to strengthen the product portfolio by developing new products and product upgrades. The transformation of ideas into viable products that customers demand requires that the company is capable of attracting and retaining skilled and qualified employees. So far, Danware has been able to attract as well as retain qualified employees.

Being a knowledge-intensive technology business, Danware relies especially on a number of key employees both at management level and in a number of other positions with the company; particularly in product development and sales and marketing. Through comprehensive knowledge-sharing, Danware continuously seeks to reduce reliance on key employees.

Customers and markets

The company sells its products through its wholly-owned distribution subsidiaries in the US, the UK and Germany and through business partners in more than 80 countries. The distribution subsidiaries were established in 2006 and began operations in the last part of the year. The achievement of Danware's growth plans depends on the company's success in building up the distribution subsidiaries, in developing business partner channels and in increasing awareness of the company's products.

Danware's sells its products to about 540 partners, distributors and resellers in many parts of the world. In 2006, the 10 largest accounted for about 64% of revenue and none accounted for more than 15% of revenue. Danware is therefore not believed to be dependent on any single customer.

Insurance

It is Danware's policy to insure risks which could potentially threaten the company's financial position. In the license terms which customers must accept before they are technically able to install Danware's products, the company has to the maximum extent possible included clauses to limit liability. The purpose of these clauses is to limit the company's liability attributable to potential defects that may occur in the products sold.

Danware has taken out such insurance policies as are usual for companies of a similar nature. The company has also taken out insurance for property, operating equipment and stocks. Management believes that the company maintains adequate and appropriate insurance coverage. Danware's policy on insurance cover is reviewed annually in consultation with the Board of Directors.

Acquisitions

It is part of Danware's expansion strategy to acquire companies and technologies. These acquisitions are associated with both risks and challenges – for instance in connection with the integration of the activities acquired, including integration of products and technologies, sales channels and employees. Management has no intentions of making acquisitions that exceed Danware's financial resources.

FINANCIAL RISKS

As a result of Danware's international activities, the company's results of operations and equity are subject to a number of financial risks, and it is the company's policy to identify and hedge such risks according to the guidelines defined by the Board of Directors and the Management Board.

Foreign exchange risk

Danware is incorporated in Denmark, and the major part of the company's development and production costs and most of its other expenses are incurred in Danish kroner. In 2006, the company invoiced approximately 26% of its sales in Danish kroner, 43% in euros, 29% in US dollars and the remaining 2% in various other currencies. The company's foreign exchange exposure is thus primarily in euros and US dollars. Management does not believe that the euro exposure involves particular risk. With respect to US dollars, Danware hedges the effect of foreign exchange fluctuations by entering into forward exchange contracts. Accordingly, Danware maintains the policy of hedging about 50% of the actual and the anticipated US dollar net exposure six months forward on an ongoing basis.

Interest rate exposure

Danware is exposed to limited interest rate risk, which primarily involves the interest income on the company's cash holdings. The return on the cash holdings is based on an underlying portfolio of Danish bonds with a duration of one to three years and on the money market rate.

Liquidity risk

Danware pursues a policy of consistently ensuring the existence of adequate financial resources. Cash reserves, which are deemed to be sufficient to implement Danware's strategy, consist of prior-year cash flows and proceeds from the IPO in 2001. Cash resources amounted to DKK 113m at year-end 2006.

Credit risk

The company minimizes credit risk related to cash and cash equivalents, money market deposits as well as derivatives by exclusively cooperating with financial institutions with a high creditworthiness.

Exposure to bad debts

The company's sales are primarily made on open account. Most of Danware's sales are to customers with whom we have maintained a business relationship for several years. The company operates fixed terms of payment and has defined policies on how to follow up on non-payment. For sales to new customers, we often require a down payment for initial shipments. The practice pursued so far for the handling of debtors has proven to be very effective, and over a number of years, we have only suffered few losses on debtors.

ENVIRONMENTAL ISSUES

Danware seeks to estimate and limit the environmental impact of its business operations. The company gives priority to making direct and indirect contributions to a sustainable environment. Encompassing the development and selling of software products, Danware's operations have a very limited direct environmental impact.

In the physical production of our software suites, the largest amounts of waste consist of paper and cardboard, which is recycled. Danware's impact on the external environment thus mainly derives from heating and cooling of the company's premises and electricity and water consumption, and it is important to us that environmentally-friendly solutions are applied in these areas. The company is not involved in environmental claims, and Danware is not comprised by the rules on environmental approval or the act on presentation of "green accounts" (environmental report).

FINANCIAL REVIEW

INCOME STATEMENT

Revenue

Revenue totalled DKK 97.9m in 2006, up 7.2% from DKK 91.3m in 2005. The rise was primarily attributable to the acquisitions of the product M-Net and Cursum. Danware's other business areas are generally experiencing more and more competitive markets and reported revenue at the same level as in 2005. The DKK/USD exchange rate had a negative impact on revenue, as the 2006 revenue would have been about DKK 0.4m higher, i.e. approximately DKK 98.3m, if the exchange rate had been unchanged relative to 2005.

Revenue was up 20.2% y/y in Q4 2006, whereas the second half-year revenue was 5.3% higher than the year-earlier figure. In the first half-year of 2006, revenue was boosted by a small number of large orders, which explains why the H1 revenue rose by 9.3% y/y.

Revenue performance by business area

On the product side, the 2006 performance was impacted by a rise in revenue within the business areas Desktop Management and Education – primarily due to acquisition of activities. Market growth for conventional Remote Control software has been very weak or even negative in recent years while market growth for new areas, such as Internet-based remote control software and remote control software for mobile equipment, is high. In the market for teaching software, market growth remains high.

Revenue from the Desktop Management products was DKK 67.8m in 2006 as compared with DKK 62.4m last year, and the improvement was primarily attributable to the sale of the product M-Net and a number of large orders. Desktop Management thus accounted for 69% of total revenue, as compared with 68% in 2005. The increase in revenue was mainly due to sales growth in the EMEA region resulting from more large orders as well as a small drop in revenue in both the Asian and the US markets.

Sales within Education amounted to DKK 29.0m in 2006, corresponding to a 3% improvement over 2005. Education thus accounted for 30% of Danware's total revenue, as compared with 31% in 2005. The higher revenue was mainly driven by an increase in EMEA as a result of the acquisition of Danware Cursum whereas US revenue declined. At the end of 2005 Danware lost a major client in its Education business, and this had an adverse effect on the 2006 revenue. The market for teaching software is generally becoming more competitive.

Revenue by business area

DKKm	**2006**	**Share %**	2005	Share %
Desktop Management	**67.8**	**69.3**	62.4	68.4
Education	**29.0**	**29.6**	28.2	30.9
Security	**1.1**	**1.1**	0.7	0.7
Total	**97.9**	**100.0**	91.3	100.0

Revenue performance by market

EMEA revenue rose by 12% to DKK 69.4m due primarily to higher revenue in the Danish market.

Revenue in the Americas fell by DKK 1.0m to DKK 26.4m, mainly as a result of the fall in revenue relating to the discontinued cooperation with the former US distributor.

In the Asia/Pacific Region, revenue was largely on a level with 2005.

Revenue by geographical market:

DKKm	**2006**	**Share %**	2005	Share %
Europe, Middle East and Africa	**69.4**	**70.9**	61.7	68.0
North-, South- and Central America	**26.4**	**27.0**	27.4	30.0
Asia and Pacific Region	**2.1**	**2.1**	2.2	2.0
Total	**97.9**	**100.0**	91.3	100.0

Costs

Production, development, distribution and administrative costs totalled DKK 96.8m in 2006, a 33% increase from DKK 73.0m in 2005.

The main reason for the higher costs was the establishment of the subsidiaries in the US, the UK and Germany. To this should be added the launch of new versions of NetOp Remote Control and NetOp School in 2006, the acquisition of the product M-Net and Cursum as well as generally enhanced marketing efforts. In addition, the increase in the employee headcount triggered higher wages and salaries and other staff costs.

Costs of production (13% of revenue) were DKK 12.5m, as compared with DKK 11.6m last year. Costs were higher mainly because of an increase in staff costs taken over in connection with the acquisition of M-Net.

Development costs (21% of revenue) rose from DKK 13.4m in 2005 to DKK 21.0m in 2006, an increase of DKK 7.6m, or 57%. The increase was attributable to the acquisition of Cursum as well as a larger workforce within the company's other development areas. Other reasons were increased costs for outsourcing development to Russia and the Philippines and a significant increase in amortisation of acquired rights following from the acquisition of M-Net and the fact that the rights to NetFilter were held during the entire financial year.

Distribution costs (43% of revenue) were DKK 41.9m in 2006 compared with DKK 31.8m in 2005. Marketing costs were up by 32% over last year, mainly due to the establishment of the foreign subsidiaries and the increase in marketing effort.

Administrative expenses (22% of revenue), comprising costs of premises and business development, including the search for acquisition targets, were up by DKK 5.2m, or 32%, to DKK 21.4m. The rise was due to a number of items, including external consultancy, telecommunications and provision for bad debts on a single debtor.

Moreover, administrative expenses of DKK 2.1m were attributable to the foreign subsidiaries.

EBITDA
EBITDA was DKK 7.1m in 2006 (2005: DKK 21.6m), which translates into an EBITDA margin of 7.2% (2005: 23.6%).

EBIT
Operating profit (EBIT) was DKK 1.1m in 2006 (2005: DKK 18.3m), which translates into an EBIT margin of 1.1% (20%). As described above, the fall in EBIT was due to the increase in costs of DKK 23.8m.

Operating profit (EBIT) was DKK 4.5m in Q4, which is on a level with Q4 2005.

Financial items
Net financial items amounted to an income of DKK 1.0m in 2006 as against an income of DKK 2.9m in 2005, including a loss in associates of DKK 0.7m. Interest income amounted to DKK 2.6m against DKK 3.4m in 2005. The overall return on cash holdings was held back by the generally low level of interest rates throughout 2006.

Danware generated a return of 2.0% on its cash holdings. The investment strategy of 2006 remained relatively defensive, centred mainly on protection against a potential rise in interest rates.

Danware incurred an expense from exchange rate adjustments of DKK 0.4m in 2006, compared with an expense of DKK 0.3m in 2005.

The financial expenses include amortisation of the difference between the cost and the nominal amount of the debt to the sellers of Etiro, EnoLogic, and Cursum respectively. In 2006, the amortisation charge was DKK 0.4m.

Profit before and after tax
Profit from ordinary activities before tax was DKK 2.1m (2005: DKK 21.2m), corresponding to 2% (2005: 23%) of revenue. Taxes amounted to DKK 1.4m, corresponding to an effective tax rate of 68.3%. This brought the net profit for the year to DKK 0.7m (2005: DKK 14.6m), equal to an EPS of DKK 0.17 per share (2005: DKK 3.8). The tax rate was above 28% mainly because the company recognised a number of non-deductible expenses and amortisation/depreciation charges. See note 7 to the financial statements.

BALANCE SHEET

Total assets amounted to DKK 226.7m at 31 December 2006, which was DKK 2.9m more than at the end of 2005. The change was due to general movements in the balance sheet due to investment activity, changes in receivables and debt, etc.

Fixed assets
Fixed assets stood at DKK 78.8m at 31 December 2006 compared with DKK 51.9m at 31 December 2005. The increase was mainly due to the purchase of the rights to M-Net and the related goodwill.

Current assets
Current assets stood at DKK 148.0m at 31 December 2006 compared with DKK 171.9m at 31 December 2005. The main reason for the fall in current assets was the reduction of cash holdings.

Cash
The Group had cash of DKK 113.2m at 31 December 2006, which was DKK 40.6m less than at the end of 2005, and mainly the result of the M-Net acquisition.

Equity
Equity was DKK 209.0m at 31 December 2006, against DKK 208.0m at 31 December 2005, translating into an equity ratio of 92% at 31 December 2006. The change in equity was attributable to the profit for the year plus share-based remuneration expenses.

Long-term liabilities other than provisions
Long-term liabilities other than provisions stood at DKK 2.2m at 31 December 2006 and were related to the acquisition of associates and subsidiaries and the acquisition of rights.

Short-term liabilities other than provisions
Short-term liabilities other than provisions stood at DKK 17.8m at 31 December 2006 comprising trade payables and other payables.

CASH FLOWS

The cash flow from operating activities was an outflow of DKK 6.1m in 2006 against an inflow of DKK 17.5m in 2005. Relative to 2005, the cash flows were affected by outflows of DKK 14.1m from operating activities before changes in working capital due to an increase in costs.

The change in working capital was an outflow of DKK 9.1m in 2006 compared to an inflow of DKK 0.1m in 2005. The change was mainly due to an increase in capital tied up in trade receivables.

Relating to the acquisition of M-Net and the shares in Cursum, the cash flow from investing activities was an outflow of DKK 34.4m. Accordingly, the combined cash flows from operating and investing activities amounted to an outflow of DKK 40.4m against an inflow of DKK 8.6m in 2005.
The total cash flows for the year were an outflow of DKK 40.6m against an outflow of DKK 10.3m in 2005.

DKK/USD EXCHANGE RATE, 2005-2006

Source: Danmarks Nationalbank, average monthly DKK/USD exchange rate

STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD AND INDEPENDENT AUDITORS' REPORT

STATEMENT BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The Board of Directors and the Management Board have today considered and approved the Annual Report of Danware A/S for 2006.

The Annual Report has been presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the presentation of financial statements of listed companies.

We consider the accounting policies to be appropriate to the effect that the Annual Report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year ended 31 December 2006.

We recommend that the Annual Report be submitted to the general meeting for approval.

Birkerød, 13 March 2007

Management Board

Peter Grøndahl
CEO

Board of Directors

Ib Kunøe
Chairman

Charlotte Hellested Brøbeck

Ole Haag

Henning Hansen

Claus True Hougesen

Peter Grøndahl

Per Egon Rank

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Danware A/S

We have audited the annual report of Danware A/S for the financial year 1 January to 31 December 2006, comprising a statement by the Board of Directors and the Management Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements for the Group as well as the parent company. The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the annual report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the annual report 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 internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not give rise to any qualifications.

Opinion

In our opinion, the annual report gives a true and fair view of the group's and the parent company's financial position at 31 December 2006 and of their financial performance and their cash flows for the financial year 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Birkerød, 13 March 2007

Mortensen og Beierholm
Statsautoriseret Revisionsaktieselskab

Jan Andersen
State-Authorized Public Accountant

ACCOUNTING POLICIES

The annual report of Danware A/S for 2006 is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial reporting of listed companies, including the requirements imposed by the Copenhagen Stock Exchange on the presentation of financial statements by listed companies and the Danish Statutory Order on Adoption of IFRS.

The annual report also complies with the International Financial Reporting Standards issued by the IASB.

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

Recognition and measurement
Revenue is recognised in the income statement as earned. This includes the recognition of value adjustments of financial assets and liabilities. In addition, all costs incurred are recognised in the income statement, including amortisation, depreciation and impairment losses.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the terms of the asset or the liability.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which relate to matters existing at the balance sheet date.

Consolidation
The financial statements of the Group consolidate the financial statements of the parent company, Danware A/S, and subsidiaries in which Danware A/S directly or indirectly holds more than 50% of the voting rights or in any other way exercises a controlling interest.

Companies in which the Group holds between 20% and 50% of the voting rights and exercises a significant influence but not control are considered associates. An assessment of whether Danware A/S exercises control or a significant influence takes potential voting rights into consideration.

The consolidated financial statements are prepared by adding the audited financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the Group's accounting policies. In the consolidation, intra-group income and expenses, shareholdings, balances, dividends and realised and unrealised intra-group gains and losses are eliminated.

Investments in subsidiaries are eliminated by the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the date of acquisition.

Business combinations
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition. Companies divested or wound up are consolidated in the income statement until the date divested or wound up. The comparative figures are not adjusted to reflect acquisitions. Discontinued operations are presented as a separate item. See below.

The takeover method is applied on acquisitions if the parent company gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in companies ac-

quired are measured at the fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise from a contractual right and the fair value can be reliably measured. Deferred tax on revaluations made is recognised.

For business combinations effected on or after 1 January 2004, any excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is transferred to the cash-generating units which will subsequently form the basis for future impairment tests. Any goodwill arising and any fair value adjustments made on the acquisition of a foreign entity whose functional currency is not the same as the Group's presentation currency are treated as assets and liabilities of the foreign entity and translated to the foreign entity's functional currency at the exchange rate at the transaction date. Any excess of the fair value over the cost of acquisition (negative goodwill) is recognised in the income statement at the acquisition date.

For business combinations made before 1 January 2004, the classification under the previous accounting policy is maintained. Goodwill is recognised based on the cost recognised under the previous accounting policy (Danish Financial Statements Act and Danish accounting standards) less amortisation and impairment up to 31 December 2003. Goodwill is not amortised after 1 January 2004.

The cost of a company is the fair value of the agreed consideration paid plus costs directly attributable to the acquisition. If parts of the consideration are conditional on future events, such parts of the consideration are recognised in cost to the extent the events are likely and the consideration can be reliably measured.

If the measurement of acquired identifiable assets, liabilities and contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities and contingent liabilities had a different fair value at the time of acquisition than that originally assumed, goodwill be adjusted until 12 months after the acquisition. The effect of the adjustments will be recognised in the opening equity, and comparative figures will be restated accordingly. Henceforth, goodwill will be adjusted only to reflect changes in estimates of contingent consideration, apart from material errors. However, where the acquired company's deferred tax assets not recognised at the date of acquisition are subsequently realised, the tax benefit is recognised in the income statement and the carrying amount of goodwill will concurrently be written down to such amount as would have been recognised had the deferred tax asset been recognised as an identifiable asset at the date of acquisition.

Any gains or losses on the disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets, including goodwill, at the date of disposal plus anticipated selling or disposal costs.

Foreign currency translation

For each of the group's companies, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the individual enterprise operates. Transactions in currencies other than the functional currency are transactions denominated in foreign currencies. The presentation currency of the consolidated financial statements is Danish kroner (DKK), which is the functional and presentation currency of the parent company.

On initial recognition, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Exchange differences arising between the exchange rate at the transaction date and the date of payment are recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currency are translated at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling on the balance sheet date and the ex-

change rate at the date when the receivable or payable arose or was recorded in the most recent annual financial statements is recognised in the income statement under financial income or expenses.

On consolidation of companies with functional currencies other than DKK, the income statements are translated at the exchange rate ruling at the transaction date and the balance sheets at the exchange rate ruling at the balance sheet date. The average exchange rate for each individual month is used as the transaction date, provided this does not give a much different view. Exchange differences arising on the translation of the opening equity of such companies at the exchange rates ruling at the balance sheet date and on the translation of the income statement from the exchange rates ruling at the transaction date to the exchange rates ruling at the balance sheet date are taken directly to equity in a separate reserve for currency translation.

Foreign exchange adjustment of balances that are considered as part of the overall net investment in companies with functional currencies other than DKK, are recognised directly in equity in the consolidated financial statements in a separate reserve for currency translation.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at their fair value. Positive and negative fair values of derivatives are recognised under other debtors and other creditors, respectively.

Changes in the fair value of derivative financial instruments that are designated as and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the value of the hedged asset or hedged liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised directly in equity. Income and expenses relating to such hedge transactions are transferred from equity on realisation of the hedged item and recognised in the same line item as the hedged item. For derivative financial instruments not qualifying as hedges, changes in fair value are recognised on an ongoing basis in the income statement under financial items.

INCOME STATEMENT

Revenue
Sales of software are recognised at the time when configuration of software licenses towards the end user is effected. Invoiced software licenses for end user configuration which has not yet been effected are recognised as a liability under deferred income.

Income from licence agreements according to which the purchaser is entitled to implement some of the group's products to a pre-defined group of end users is recognised at the invoice date.

Income from subscription agreements is recognised according to the straight line depreciation method over the term of the subscription period.

Other income is recognised in the income statement when delivery of services has taken place.

Revenue is recognised excluding VAT, taxes and discounts related to sales.

Production costs
Production costs comprise payroll costs and similar costs for support staff, materials, consulting and depreciation/amortisation regarding production and support functions.

Development costs
Development costs include payroll costs, etc., which are directly attributable to the development of software products and which do not meet the criteria for capitalisation, as well as amortisation and impairment of capitalised development costs.

Distribution costs
Distribution costs include costs incurred for distribution of goods sold and for sales campaigns, etc. during the year. This includes the cost of sales staff, advertising and exhibition costs, as well as depreciation/amortisation.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for the company's management and administrative functions, including expenses for administrative staff, all costs of premises, losses on trade receivables as well as depreciation/amortisation.

Pension liabilities and similar long-term liabilities
The Group has entered into pension agreements and similar agreements with most of the Group's employees.

All liabilities relate to defined contribution plans recognised in the income statement in the period in which they are earned, and payments due are recognised in the balance sheet under other payables.

Results of investments in associates in the consolidated financial statements
The proportionate share of the profit or loss of associates after tax and minorities and elimination of the proportionate share of intra-group gains or losses is recognised in the consolidated income statement.

Dividends from investments in subsidiaries and associates in the parent company's financial statements
Dividend on investments in subsidiaries and associates is recognised in the parent company's income statement in the financial year in which the dividend is declared. However, to the extent that the dividend distributed exceeds accumulated earnings after the acquisition date dividend is recognised as a reduction of the cost of the investment.

Financial income and expenses
Financial income and expenses include interest receivable and payable, capital gains and losses on securities, payables and transactions in foreign currency, amortisation of financial assets and liabilities, as well as additions and reimbursements under the on-account tax scheme, etc. Financial income and expenses are recognised in the amounts relating to the financial year. Financial items also include realised and unrealised gains and losses concerning derivative financial instruments that cannot be classified as hedges.

Income tax
Danware A/S is taxed jointly with all Danish group companies.

The current income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses). The jointly taxed companies pay tax under the Danish on-account tax scheme.

Tax for the year, consisting of the year's current tax and movements in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the profit/loss for the year and posted directly in equity as regards the amount that can be attributed to movements taken directly to equity. Tax recognised in the income statement is classified under tax on profit on ordinary activities or tax on profit on extraordinary activities.

BALANCE SHEET

Intangible assets

Goodwill
On initial recognition, goodwill is recognised in the balance sheet at cost as described under "business combinations". Subsequently, goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The determination of cash-generating units is based on the management structure and the internal financial management. As companies acquired are integrated within the existing Group, management believes that the lowest level of cash-generating units to which the carrying amount of goodwill can be allocated is the individual subsidiaries.

The carrying amount of goodwill is tested at least once a year for impairment together with the other fixed assets of the cash-generating unit to which the goodwill has been allocated, and is written down to the recoverable amount through the income statement if this is lower than the carrying amount. The recoverable amount is generally calculated as the present value of the future net cash flows expected to be derived from the business or activity (cash-generating unit) to which the goodwill relates. Goodwill impairment write-downs are recognised as a separate line item in the income statement.

Development projects and acquired licenses
Development costs comprise salaries, depreciation and amortisation and other costs directly or indirectly attributable to the company's development activities.

Development projects which are clearly defined and identifiable, where the level of technical utilisation, sufficient resources and a potential future market or business opportunity for the company can be demonstrated and where the intention is to manufacture, market or utilise the project are recognised as intangible assets if the cost can be reliably measured and there is sufficient certainty that the future earnings can cover production and selling costs, administrative expenses and the specific product development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at the lower of cost less accumulated depreciation and the recoverable amount.

On completion of a development project, the development costs are amortised on a straight-line basis over the estimated useful life. The usual amortisation period is five years. The basis of depreciation is reduced by any impairment write-downs.

Acquired licenses are measured at cost less accumulated amortisation. Licenses are amortised over the term of the agreement, up to a maximum of five years.

Intangible assets are written down to the lower of the recoverable amount and the carrying amount. Each year, each individual asset or groups of assets are tested for impairment.

Gains and losses on the disposal of development projects, patents and licenses are stated as the difference between the selling price less selling expenses and the carrying amount at the date of sale. Gains and losses are recognised in the income statement under the same items as the previously recognised depreciation.

Intangible assets with undefinable useful lives are not amortised, but tested annually for impairment.

Property, plant and equipment
Land and buildings, leasehold improvements and other facilities, plant and machinery are measured at cost less accumulated depreciation.

Cost encompasses the purchase price and costs directly associated with the purchase until the time when the asset is ready to be brought into use. Interest expenditure on loans to finance the manufacture of tangible fixed assets that relates to the production period is included in the cost price. All other borrowing costs are recognised in the income statement.

The depreciation base is cost less the estimated residual value at the end of the expected useful life.

Assets are depreciated on a straight line basis over their estimated useful lives, as follows

Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation is recognised in the income statement under production costs, distribution costs or administrative expenses.

Property, plant and equipment is written down to the lower of the recoverable amount and the carrying amount. Each year, each individual asset or group of assets is tested for impairment.

Gains and losses on the disposal of tangible fixed assets are computed as the difference between the selling price less selling expenses and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement under the same items as the previously recognised depreciation.

Investments in associates in the consolidated financial statements
Participating interests in associates are measured using the equity method.

Investments in associates are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the parent company's accounting policies plus or less any unrealised intra-group gains and losses and plus any residual amount of goodwill.

Associates with negative equity value are measured at zero value. If the group has a legal or constructive obligation to cover the associate's negative balance, such obligation is recognised under liabilities.

Receivables from associates are written down to the extent they are deemed to be irrecoverable.

Investments in subsidiaries and associates in the parent company's financial statements
Investments in subsidiaries and associates are measured at cost. Where the recoverable amount is lower than cost, the investments are written down to such lower value. The cost is reduced to the extent that dividend distributed exceeds the accumulated earnings after the takeover date.

Receivables
Receivables are measured at amortised cost. Receivables are written down for anticipated losses.

Prepayments
Prepayments comprise costs incurred relating to the following financial year and are measured at cost.

Other securities and investments
Listed securities and capital investments recognised under current assets are measured at fair value at the balance sheet date.

Impairment of fixed assets
Goodwill and intangible assets with undefinable useful lives are tested annually for impairment, the first time before the end of the year of acquisition. Similarly, development projects in progress are tested for impairment annually.

Deferred tax assets are reviewed annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amounts of other fixed assets are tested annually for indications of impairment. If such an indication exists, the recoverable amount of the asset is calculated. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement as production costs, distribution costs or administrative expenses. However, goodwill write-downs are recognised as a separate line item in the income statement.

Goodwill written down is not reversed. Impairment write-downs of other assets are reversed to the extent changes have occurred to the assumptions and estimates leading to the write-down. Write-downs are only reversed to the extent the new carrying amount of an asset does not exceed the carrying amount the asset would have had net of depreciation, had the asset not been written down.

EQUITY

Dividend

Proposed dividends are recognised as a liability at the time of adoption by the shareholders in general meeting (the date of declaration). Dividends expected to be paid in respect of the year are stated as a separate line item under equity.

Treasury shares

The purchase and sale of treasury shares and dividends thereon are taken directly to retained earnings under equity. Gains and losses on the sale of treasury shares are thus not recognised in the income statement.

Exchange adjustment reserve

The exchange adjustment reserve in the consolidated financial statements comprises foreign exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies to the parent company's presentation currency.

Incentive plans

The incentive plans in Danware A/S comprise a share option plan.

Share option programme

The value of services received as consideration for options granted is measured at the fair value of the options at the time of grant using the Black & Scholes formula, with due consideration for the individual employee's own payment once the incentives are exercised at a later point in time.

For equity-settled share options, the fair value is measured at the grant date and recognised in the income statement under staff costs over the vesting period. The balancing item is recognised directly in equity.

On initial recognition of share options, the number of options expected to vest is estimated. See the condition of service described in note 20.

Subsequently, changes in the estimated number of vested options are adjusted to the effect that the total amount recognised is based on the actual number of vested options.

At the time of exercise – i.e. when a warrant is exercised by way of subscription of new contributed capital – payments and any share premiums are recognised directly in equity.

Tax payable and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated tax on the taxable income for the year, adjusted for tax on prior years' taxable income and for tax paid under the on–account tax scheme.

Deferred tax is calculated in accordance with the balance sheet liability method on all timing differences between the carrying amount and tax value of assets and liabilities.

However, no deferred tax is recognised on timing differences regarding non-deductible goodwill, office property and other items for which timing differences – with the exception of acquisitions – have arisen at the acquisition date without affecting the financial results or taxable income. When the tax value can be calculated according to alternative taxation rules, deferred tax will be calculated on the basis of the planned usage of the tax asset or settlement of the tax liability, as the case may be.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised in the amount at which they are expected to be used, either by setting off tax on future earnings or by setting off deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax adjustments are made regarding unrealised intercompany gains and losses that have been eliminated.

Deferred tax is measured based on the tax rules and rates in the respective countries that will apply under the legislation in force on the balance sheet date when the deferred tax asset is expected to crystallise as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Provisions
Provisions are recognised when, as a consequence of an event that has occurred before or on the balance sheet date, the Group has a legal or constructive obligation, and it is likely that economic benefits must be given up to meet the obligation.

In the measurement of provisions, the costs necessary to settle the liability are discounted if such discounting would have a material effect on the measurement of the liability. A pre-tax discounting factor is used that reflects the general level of interest rates plus the specific risks that are believed to apply to the provision. The changes in present values for the financial year are recognised under financial expenses.

Provisions are measured as the management's best estimate of the amount with which the liability is expected to be settled.

Financial liabilities
Other creditors, which comprise trade creditors and affiliated and associated companies and other creditors, are measured at amortised cost.

Prepayments
Accruals and deferred income comprises payments received relating to income in subsequent financial years, measured at cost.

CASH FLOW STATEMENT

The cash flow statement shows the consolidated cash flows for the year, broken down by operating, investing and financing activities, and the year's changes in cash and cash equivalents as well as the group's cash and cash equivalents at the beginning and end of the year.

The cash effect of acquisitions and divestments is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning acquired companies are recognised from the date of acquisition, while cash flows concerning divested companies are recognised until the date of divestment.

Cash flows in currencies other than the functional currency are translated at average exchange rates unless these differ materially from the exchange rate ruling at the transaction day.

Cash flows from operating activities
Cash flows from operating activities are calculated using the indirect method as the profit for the year before tax adjusted for non-cash operating items, changes in working capital, interest received and interest paid, dividends received and income taxes paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of companies and activities and of intangibles, property, plant and equipment and investments.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the group's share capital and associated costs and the raising of loans, repayment of interest-bearing debt and dividend payments to shareholders.

Cash and cash equivalents
Cash includes cash at bank and in hand as well as short-term securities with a maturity of less than three months that can readily be converted into cash and that involve insignificant risk of value fluctuations.

SEGMENT INFORMATION

Segment information on the net revenue is reported by business activity (primary segment) and geographical market (secondary segment). The segment information follows the Group's accounting policies, risks and in-house financial management.

Further segmentation of the income statement, including segmentation of costs and the profit from ordinary activities before net financials, and of fixed assets and liabilities, is not provided, as the business areas share development resources, distribution channels and sales organisations in the principal markets.

KEY RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated according to IAS 33.

Other key ratios are calculated in accordance with "Recommendations and Ratios 2005" issued by the Danish Association of Financial Analysts.

The ratios provided in the financial highlights are calculated in the following manner:

Operating margin

$$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio

$$\frac{\text{Equity at year end x 100}}{\text{Total liabilities at year end}}$$

Return on equity

$$\frac{\text{Profit for the year x 100}}{\text{Average equity}}$$

Earnings per share (EPS)

$$\frac{\text{Profit for the year}}{\text{Average number of shares}}$$

Diluted earnings per share (EPS-D)

$$\frac{\text{Profit for the year}}{\text{Average number of diluted shares}}$$

Cash flow per share (CFPS)

$$\frac{\text{Cash flow from operating activities}}{\text{Average number of shares}}$$

Net asset value per share

$$\frac{\text{Equity at year end}}{\text{Number of shares at year end}}$$

EBITDA Operating profit before interest, taxes, depreciation and amortisation

EBITA Operating profit before amortisation

EBIT Operating profit

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Ib Kunøe, 63
Chairman of Danware A/S and Danware Data A/S since July 2005.
Managing director of Consolidated Holding A/S.
Board member elected by the shareholders in general meeting and considered to be independent under the definition provided in "Corporate Governance Recommendations" issued by the Copenhagen Stock Exchange.

Chairman of the boards of directors of:
Bergman Beauty Care DK ApS, CDRATOR A/S, Columbus IT Partner A/S, Core Workers A/S, Ejendomsselskabet af 1920, Ementor ASA, Ferroperm Piezoceramics A/S, Gatetrade.Net A/S, Insensor A/S, Kosmetolog Instituttet A/S, Morsing PR ApS, Supportkompagniet A/S, Thrust IT A/S and Topnordic A/S.

Member of the boards of directors of:
Atrium Partner A/S, Consolidated Holding A/S and Pierre Robert A/S.

Special qualifications. Corporate management, including management of IT businesses, mergers and acquisitions.

Charlotte Hellested Brøbeck, 40
Certification, Education and Documentation (CED) Manager
Board member Danware A/S since April 2005.
Elected by the company's employees.

Ole Haag, 52
Product Manager
Board member Danware A/S since April 2005.
Elected by the company's employees.

Henning Hansen, 57
Member of the boards of Danware A/S and Danware Data A/S since February 2001.
Attorney-at-law. Partner with the law firm of Philip & Partners.
Board member elected by the shareholders in general meeting and not considered to be independent under the definition provided in "Corporate Governance Recommendations" issued by the Copenhagen Stock Exchange.

Member of the boards of directors of: Casino Ejendomsselskab A/S, Non Nobis Fonden and of Fonden Realdania's Assembly of Representatives.

Special qualifications. General management, legal matters and corporate law issues

Claus True Hougesen, 43
Member of the boards of Danware A/S and Danware Data A/S since July 2005.
CEO of Topnordic A/S and Deputy CEO of Ementor ASA. Board member elected by the shareholders in general meeting and considered to be independent under the definition provided in "Corporate Governance Recommendations" issued by the Copenhagen Stock Exchange.

Member of the boards of directors of: Columbus IT Partner A/S, Kompetencecenteret A/S, Topnordic Sverige AB and Topnordic Norge AS.

Special qualifications. International sales and management of IT businesses

Peter Grøndahl, 56
Member of the boards of Danware A/S and Danware Data A/S since June 2005.
CEO of Danware A/S since December 2000, prior to which time he was chairman of the Danware companies.
Board member elected by the shareholders in general meeting and not considered to be independent under the definition provided in "Corporate Governance Recommendations" issued by the Copenhagen Stock Exchange.

Member of the boards of: The Danish Trade Council and the Danish IT Industry Association (deputy chairman) and member of the board of representatives of the Danish Chamber of Commerce.

Special qualifications. IT development and an in-depth knowledge of Danware and Danware's technologies

Per Rank, 53
Head of Product Management
Board member Danware A/S since April 2005.
Elected by the company's employees.

MANAGEMENT

Peter Grøndahl , 56
CEO of Danware A/S since December 2000, prior to which time he was chairman of the Danware companies.

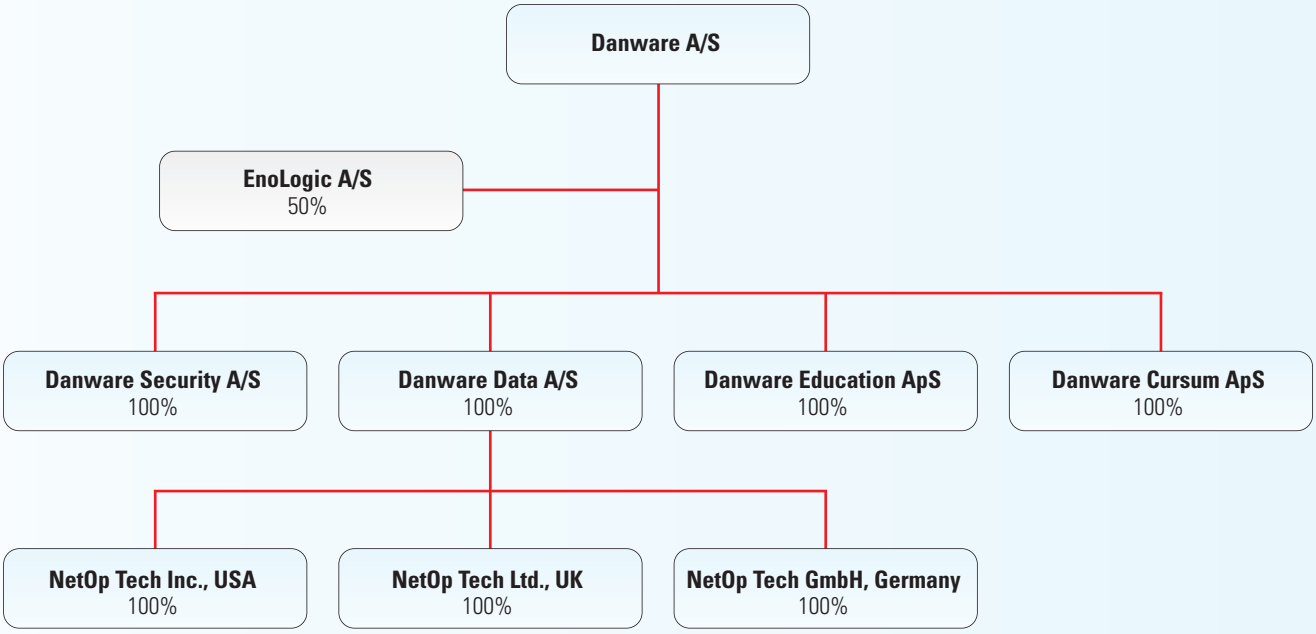
Michael Graves, 46
Chief Sales Officer since August 2006.

Ole Bjørn Setnes, 42
Chief Technical Officer since December 2000.

Lars Søndergaard, 39
Chief Financial Officer since March 2001.

The members of the Board of Directors of Danware A/S are set out above. The Board of Directors of Danware Data A/S consists off Ib Kunøe (Chairman), Henning Hansen, Claus Hougesen and Peter Grøndahl. The members of the Board of Directors of Danware Security A/S, Danware Education ApS and Danware Cursum A/S are Lars Søndergaard (Chairman), Ole Setnes and Peter Grøndahl. The Management Board consists of Peter Grøndahl.

GROUP OVERVIEW



INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

PARENT COMPANY				GROUP	
2005 DKK '000	2006 DKK '000	Note		2006 DKK '000	2005 DKK '000
2,295	2,364	1	Net revenue	97,861	91,288
(1,384)	(1,412)	2	Production costs	(12,461)	(11,587)
911	**952**		**Gross margin**	**85,400**	**79,701**
-	-	2	Development costs	(21,010)	(13,381)
-	-	2	Distribution costs	(41,901)	(31,819)
(3,187)	(2,659)	2,3	Administrative expenses	(21,388)	(16,213)
(2,276)	**(1,707)**		**Operating profit (EBIT)**	**1,101**	**18,288**
-	-	11	Share of net profit in associates	(691)	(24)
31,363	15,192	5	Financial income	4,382	4,908
(113)	(1,093)	6	Financial expenses	(2,676)	(1,948)
28,974	**12,392**		**Profit before tax**	**2,116**	**21,224**
(747)	(1,229)	7	Tax for the year	(1,446)	(6,579)
28,227	**11,163**		**Net profit for the year**	**670**	**14,645**
		8	**Earnings per share**		
			Earnings per share (EPS)	0.2	3.9
			Diluted earnings per share (EPS-D)	0.2	3.8
			Recommended appropriation of profit		
-	9,626		Proposed divedend		
28,227	1,537		Retained earnings		
28,227	**11,163**				

BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY				GROUP	
2005 DKK '000	2006 DKK '000	Note	ASSETS	2006 DKK '000	2005 DKK '000
-	-		Acquired licences	14,963	4,842
-	-		Goodwill	19,271	6,118
-	-		Leasehold improvements	335	-
-	-		Development costs	457	762
-	-		Development projects in progress	5,574	685
-	**-**	8	**Intangible assets**	**40,600**	**12,407**
32,017	30,919		Land and buildings	30,919	32,017
13	1		Other fixtures and fittings, tools and equipment	4,993	3,520
32,030	**30,920**	9	**Property, plant and equipment**	**35,912**	**35,537**
20,856	27,341	4	Investments in subsidiaries	-	-
2,355	2,355	10	Investments in associates	865	1,556
4	-	12	Deferred tax asset	1,395	2,402
23,215	**29,696**		**Other non-current assets**	**2,260**	**3,958**
55,245	**60,616**		**Non-current assets**	**78,772**	**51,902**
-	-		Trade receivables	25,773	15,942
35,147	41,234		Receivables from subsidiaries	-	-
-	-		Other receivables	992	660
960	6,772	14	Income taxes	6,608	960
-	-		Prepayments	1,415	562
36,107	**48,006**		**Receivables**	**34,788**	**18,124**
103,096	**98,754**	**19**	**Cash**	**113,174**	**153,761**
139,203	**146,760**		**Current assets**	**147,962**	**171,885**
194,448	**207,376**		**Assets**	**226,734**	**223,787**

BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY				GROUP	
2005 DKK '000	2006 DKK '000	Note	EQUITY AND LIABILITIES	2006 DKK '000	2005 DKK '000
19,252	19,252		Share capital	19,252	19,252
171,339	172,876		Retained earnings	180,094	188,778
-	9,626		Proposed dividend	9,626	-
190,591	**201,754**		**Equity**	**208,972**	**208,030**
-	317	12	Deferred tax	-	-
1,404	1,006		Debt, acquisition of subsidiaries	2,163	3,497
1,404	**1,323**		**Non-current liabilities**	**2,163**	**3,497**
-	168		Debt, acquisition of subsidiaries	275	-
-	2,092		Debt to subsidiaries	-	-
1,603	1,189		Trade payables	6,965	5,272
-	-	14	Income taxes	-	-
850	850		Other payables	7,042	5,493
-	-		Deferred income	1,317	1,495
2,453	**4,299**		**Current liabilities**	**15,599**	**12,260**
3,857	**5,622**		**Liabilities**	**17,762**	**15,757**
194,448	**207,376**		**Equity and liabilities**	**226,734**	**223,787**

STATEMENT OF CHANGES IN EQUITY

	PARENT COMPANY			
DKK '000	**Share capital**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2005	**19,252**	**142,774**	**19,252**	**181,278**
Dividend distributed	-	-	(18,945)	(18,945)
Dividend, treasury shares	-	307	(307)	-
Sale of treasury shares	-	31	-	31
Net profit for the year	-	28,227	-	28,227
Equity at 31 December 2005	19,252	171,339	-	190,591
Net profit for the year	-	11,163	-	11,163
Proposed dividend	-	(9,626)	9,626	-
Equity at 31 December 2006	**19,252**	**172,876**	**9,626**	**201,754**

STATEMENT OF CHANGES IN EQUITY

	GROUP			
DKK '000	**Share capital**	**Retained earnings**	**Proposed dividend**	**Total**
Equity at 1 January 2005	19,252	173,076	19,252	211,580
Dividend distributed	-	-	(18,945)	(18,945)
Dividend, treasury shares	-	307	(307)	-
Sale of treasury shares	-	31	-	31
Net profit for the year	-	14,645	-	14,645
Share-based payment	-	719	-	719
Equity at 31 December 2005	**19,252**	**188,778**	**-**	**208,030**
Net profit for the year	-	670	-	670
Share-based payment	-	404	-	404
Share options exercised	-	(132)	-	(132)
Proposed dividend	-	(9,626)	9,626	-
Equity at 31 December 2006	**19,252**	**180,094**	**9,626**	**208,972**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

		GROUP	
DKK '000	**Note**	2006	2005
Net revenue		97,861	91,288
Costs and expenses		(90,549)	(69,828)
Cash flows from operating activities before changes in working capital	16	7,312	21,460
Changes in working capital	17	(9,062)	(132)
Cash generated from operations, operating profit		(1,750)	21,328
Interest income		4,091	4,908
Interest expenses		(2,244)	(1,260)
Cash generated from operations, profit from ordinary activities		97	24,976
Income taxes paid		(6,154)	(7,499)
Cash flows from operating activities		**(6,057)**	**17,477**
Additions of intangible assets		(25,320)	(4,316)
Additions/Acquisition of subsidiaries	18	(1,381)	(2,355)
Additions of property, plant and equipment		(3,406)	(2,676)
Disposals of property, plant and equipment		614	1,193
Development projects in progress		(4,889)	(685)
Cash flows from investing activities		**(34,382)**	**(8,839)**
Loan financing:			
Repayments, current liabilities		(16)	-
Shareholders:			
Dividend distributed		-	(18,945)
Sale of treasury shares		-	31
Share options exercised		(132)	-
Cash flows from financing activities		**(148)**	**(18,914)**
Net cash flows for the year		**(40,587)**	**(10,276)**
Cash and cash equivalents, beginning of year		**153,761**	**164,037**
Cash and cash equivalents, year-end		**113,174**	**153,761**

NOTES

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
		1.	**Segment information**		
			Breakdown by activity – primary segment		
-	-		Desktop Management	67,755	62,418
-	-		Education	28,959	28,184
-	-		Security	1,147	546
2,295	2,364		Other	-	140
2,295	**2,364**		**Total net revenue**	**97,861**	**91,288**
			Breakdown by geographical area – secondary segment		
2,295	2,364		Europe, Middle East and Africa	69,361	61,714
-	-		North-, South-, and Central America	26,365	27,370
-	-		Asia and Pacific region	2,135	2,204
2,295	**2,364**		**Total net revenue**	**97,861**	**91,288**
		2.	**Costs and expenses**		
			Staff costs		
850	800		Wages and salaries	45,230	34,367
-	-		Pension costs	505	362
-	-		Other social security costs	137	97
-	-		Share-based payment	404	719
-	-		Other staff costs	6,202	3,114
850	**800**		**Total staff costs**	**52,478**	**38,659**
-	-		Staff costs are recognised in the financial statements as follows:		
-	-		Production costs	6,640	5,368
-	-		Development costs	17,382	12,337
-	-		Distribution costs	21,268	13,075
850	800		Administrative expenses	7,188	7,879
850	**800**		**Total staff costs**	**52,478**	**38,659**
-	**-**		**Average number of employees**	**72**	**55**

NOTES

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
		2.	**Costs and expenses (continued)**		
			The year's expenditure regarding share-based payment is recognised as follows:		
			Production costs	34	41
			Development costs	130	237
			Distribution costs	148	318
			Administrative expenses	92	123
			Total	**404**	**719**
			Remuneration to the Board of Directors is DKK 800 thousand (2005: DKK 850 thousand).		
			Staff costs include salaries to members of the Management Board, totalling DKK 1,716 thousand (2005: DKK 1,733 thousand).		
			And total remuneration to other executives: DKK 4,673 thousand (2005: DKK 4,505 thousand).		
			Research and development costs		
			Research and development costs incurred	22,777	13,413
			Development costs recognised under intangible assets	(4,889)	(685)
			Amortisation and depreciation of recognised development costs	3,122	653
			Research and development costs for the year recognised as development costs in the income statement	**21,010**	**13,381**
			Amortisation and depreciation	**-**	**-**
-	-		Intangible assets	3,212	816
1,111	1,111		Property, plant and equipment	2,774	2,449
1,111	**1,111**		**Total amortisation and depreciation**	**5,986**	**3,265**
			Recognition of amortisation and depreciation:		
-	-		Production costs	651	735
-	-		Development costs	3,122	703
-	-		Distribution costs	367	347
1,111	1,111		Administrative expenses	1,846	1,480
1,111	**1,111**		**Total amortisation and depreciation**	**5,986**	**3,265**
			Amortisation of intangible assets, excl. goodwill, is included in production and development costs.		

NOTES

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
		3.	**Fee to the auditors appointed by the Annual General Meeting**		
			Total fee:		
303	551		Mortensen & Beierholm (Andersen Hübertz Kirkhoff)	1,067	738
148	-		Ernst & Young	-	216
451	**551**			**1,067**	**954**
			Including fee for non-audit services:		
230	405		Mortensen & Beierholm (Andersen Hübertz Kirkhoff)	405	333
75	-		Ernst & Young	-	75
305	**405**			**405**	**408**
		4.	**Investments in subsidiaries**		
15,234	20,856		Cost at 1 January		
-	(4,247)		Adjustment of cost		
5,622	10.732		Additions in the year		
20,856	27,341		Cost at 31 December		
20,856	**27,341**		**Carrying amount at 31 December**		

Name and registered office	Interest held 2006	Interest held 2005
Danware Data A/S, Birkerød, Denmark	100%	100%
Danware Security A/S, Birkerød, Denmark	100%	100%
Danware Education Aps, Birkerød, Denmark	100%	100%
Danware Cursum ApS, Birkerød, Denmark	100%	0%
NetOp Tech Inc., Chicago, USA	100%	0%
NetOp Tech Ltd., Reading, UK	100%	0%
NetOp Tech GmbH., Stuttgart, Germany	100%	0%

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
		5.	**Financial income**		
1,729	2,574		Interest income, subsidiaries	-	-
-	-		Exchange gain	1,088	1,497
27,000	10,000		Dividend from subsidiaries	-	-
2,634	2,618		Interest income from cash funds and securities	3,294	3,411
31,363	**15,192**		**Total financial income**	**4,382**	**4,908**

NOTES

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
		6.	**Financial expenses**		
-	-		Exchange loss	1,516	1,766
-	133		Interest expenses, subsidiaries	-	-
113	960		Other interest expenses	1,160	182
113	**1,093**		**Total financial expenses**	**2,676**	**1,948**
		7.	**Tax for the year**		
746	908		Current tax	269	5,947
-	-		Tax, foreign subsidiaries	113	-
1	321		Deferred tax	997	632
-	-		Prior-year taxes	67	-
747	**1,229**		**Total tax for the year**	**1,446**	**6,579**
			Analysis of tax for the year:		
746	1,229		Tax on profit from ordinary activities	1,446	6,579
1	-		Tax on items recognised directly in equity	-	-
747	**1,229**		**Total tax for the year**	**1,446**	**6,579**
			Analysis of tax on profit from ordinary activities:		
8,113	3,470		28% of profit from ordinary activities before tax	592	5,943
194	559		Non-deductible expenses and amortisation/depreciation.	787	858
-	-		Non-utilised tax loss from 2001	-	(222)
(7,560)	(2,800)		Non-taxable income	-	-
-	-		Prior-year taxes	67	-
747	**1,229**			**1,446**	**6,579**
2.6	**9.9**		**Effective tax rate**	**68.3**	**31.0**
		8.	**Earnings per share**		
			Net profit for the year	670	14,645
			Average no. of shares (1,000)	3,850	3,850
			Average no. of treasury shares (1,000)	(51)	(51)
			Average no. of shares in circulation (1,000)	**3,799**	**3,799**
			Average dilutive effect of outstanding share options	8	10
			Diluted av. no. of shares in circulation (1,000)	**3,807**	**3,809**
			Earnings per share (EPS) of DKK 5 each	0.17	3.85
			Diluted earnings per share (EPS-D) of DKK 5 each	0.18	3.84

NOTES

PARENT COMPANY DKK '000		Note	GROUP DKK '000	
Goodwill	Acquired licences	**9. Intangible assets**	Acquired licences	Goodwill
-	-	Cost at 1 January 2005	4.112	9.224
		Adjustment of estimated cost for subsidiaries	-	(2,465)
-	-	Additions	4.316	775)
-	-	Cost at 31 December 2005	8.428	7.514
-	-	Amortisation and write-downs at 1 January 2005	3.075	1.396
-	-	Amortisation	511	-
-	-	Amortisation and write-downs at 31 December 2005	3.586	1.396
-	**-**	**Carrying amount at 31 December 2005**	**4.842**	**6.118**
-	-	Cost at 1 January 2006	8,428	7,515
		Adjustment of estimated cost for subsidiaries	-	(4,247)
-	-	Additions	13,009	13,152
-	-	Cost at 31 December 2006	21,437	20,667
-	-	Amortisation and write-downs at 1 January 2006	3,587	1,396
-	-	Amortisation	2,887	-
-	-	Amortisation and write-downs at 31 December 2006	6,324	1,396
-	**-**	**Carrying amount at 31 December 2006**	**14,963**	**19,271**
-	-	Amortised over	3-5 years	

Development projects in progress	Completed development projects		Completed development projects	Development projects in progress
-	-	Cost at 1 January 2005	1,142	-
-	-	Additions	-	685
-	-	Cost at 31 December 2005	1,142	685
-	-	Amortisation and write-downs at 1 January 2005	76	-
-	-	Amortisation	304	-
-	-	Amortisation and write-downs at 31 December 2005	380	-
-	**-**	**Carrying amount at 31 December 2005**	**762**	**685**

PARENT COMPANY DKK '000		Note	GROUP DKK '000	
		9. Intangible assets (continued)		
Development projects in progress	Completed development projects		Completed development projects	Development projects in progress
-	-	Cost at 1 January 2006	1,142	685
-	-	Additions	-	4,889
-	-	Cost at 31 December 2006	1,142	5,574
-	-	Amortisation and write-downs at 1 January 2006	381	-
-	-	Amortisation	305	-
-	-	Amortisation and write-downs at 31 December 2006	685	-
-	**-**	**Carrying amount at 31 December 2006**	**457**	**5,574**
-	-	Amortised over	5 years	-

	Leasehold improvements
Cost at 1 January 2006	-
Additions	355
Cost at 31 December 2006	355
Amortisation and write-downs at 1 January 2006	-
Additions	-
Amortisation	20
Amortisation and write-downs at 31 December 2006	20
Carrying amount 31 December 2006	**335**
Amortised over	5 years

NOTES

Goodwill
At 31 December 2006, management carried out an impairment test of the carrying amount of goodwill.

For that purpose, the carrying amount of goodwill at 31 December 2006 is distributed on the cash-generating units (CGUs) Danware Security A/S, EnoLogic ApS, Danware Cursum ApS and Danware Data A/S.

The recoverable amount is based on the value in use, which is determined using the expected net cash flows on the basis of the management projected revenue for 2007-11, and a pre-tax discounting factor of 7%.

Danware Security A/S
Danware Security A/S has developed the NetOp Desktop Firewall. Danware will re-positioning the product is which expects to contribute to a considerable revenue growth so that the Company will generate a positive cash flow in the years to come.

The budgeted cash flow for 2007-11 is based on the realised expenses for 2005-06 and management's expectations as to the future revenue.

The carrying amount of goodwill is DKK 4,052 thousand, and the net present value of the expected future net cash flow is expected to exceed the carrying amount of goodwill.

The estimated weighted average growth rate used to extrapolate the expected future net cash for the years after 2011 is minus 10%, thus considerably below the average growth rate in the Company's markets.

EnoLogic A/S
Fifty per cent of the shares in EnoLogic A/S were acquired in 2005 in connection with the takeover of the rights to NetFilter.

As the company's only activity is the right to future royalties from Danware Data A/S, its budgeted cash flow for 2007-11 is based on the expected cash flow.

The carrying amount of goodwill is DKK 774 thousand, and the net present value of the expected future net cash flow is expected to exceed the carrying amount of goodwill.

The estimated weighted average growth rate used to extrapolate the expected future net cash for the years after 2011 is minus 10%, thus considerably below the average growth rate in the Company's markets.

Danware Cursum ApS
Danware Cursum ApS has developed a Learning Content Management System - a techical platform enabling organisations to develop, implement and manage courses, training programmes and questionnaires to employees, customers and business partners via the Internet.

The budgeted cash flow for 2007-11 is based on the realised expenses for 2006 and management's expectations as to the future revenue.

The carrying amount of goodwill is DKK 1,487 thousand, and the net present value of the expected future net cash flow is expected to exceed the carrying amount of goodwill.

The estimated weighted average growth rate used to extrapolate the expected future net cash for the years after 2011 is minus 10%, thus considerably below the average growth rate in the Company's markets.

Danware Data A/S
The rights to M-Net were acquired by Danware Data A/S in 2006 and comprise programmes for software distribution, asset management, license meetering inventory.

The budgeted cash flow for 2007-11 is based on the realised expenses for 2006 and management's expectations as to the future revenue.

The carrying amount of goodwill is DKK 12,956 thousand, and the net present value of the expected future net cash flow is expected to exceed the carrying amount of goodwill.

The estimated weighted average growth rate used to extrapolate the expected future net cash for the years after 2011 is minus 10%, thus considerably below the average growth rate in the Company's markets.

NOTES

PARENT COMPANY DKK '000		Note		GROUP DKK '000	
		10.	**Property, plant and equipment**		
Other fixt. and fittings, tools and equipment	Land and buildings			Land and buildings	Other fixt. and fittings, tools and equipment
126	36,194		Cost at 1 January 2005	36,194	10,946
-	-		Additions	-	2,676
-	-		Disposals	-	(3,166)
126	36,194		Cost at 31 December 2005	36,194	10,456
101	3,708		Depreciation and write-downs at 1 January 2005	3,078	8,370
12	1,099		Depreciation	1,099	1,350
-	-		Disposals	-	(2,784)
113	4,177		Depreciation and write-downs at 31 December 2005	4,177	6,936
13	**32,017**		**Carrying amount at 31 December 2005**	**32,017**	**3,520**
126	36,194		Cost at 1 January 2006	36,194	10,456
-	-		Additions	-	3,784
-	-		Disposals	-	(1,216)
126	36,194		Cost at 31 December 2006	36,194	13,024
113	4,176		Depreciation and write-downs at 1 January 2006	4,176	6,935
-	-		Additions	-	201
12	1,099		Depreciation	1,099	1,675
-	-		Disposals	-	(780)
125	5,275		Depreciation and write-downs at 31 December 2006	5,275	8,031
1	**30,919**		**Carrying amount at 31 December 2006**	**30,919**	**4,993**
3 - 5 år	20 - 50 år		Depreciated over	20 - 50 år	3 - 5 år

The public assessment of land and buildings at 1 October 2006 was DKK 28.0m.

NOTES

PARENT COMPANY DKK '000	Note		GROUP DKK '000
	11.	**Note 11. Other non-current assets**	
Investments in associates			Investments in associates
		Cost at 1 January 2005	
2,355		Additions	1,580
2,355		Cost at 31 December 2005	1,580
-		Adjustments at 1 January 2005	-
-		Share of the net profit/(loss) for the year	(24)
-		Adjustments at 31 December 2005	(24)
2,355		**Carrying amount at 31 December 2005**	**1,556**
2,355		Cost at 1 January 2006	1,580
-		Additions	-
2,355		Cost at 31 December 2006	1,580
-		Adjustments at 1 January 2006	(24)
-		Share of the net profit/(loss) for the year	(691)
-		Adjustments at 31 December 2006	(715)
2,355		**Carrying amount at 31 December 2006**	**865**

DKK '000						**DANWARE-GROUP´S SHARE**	
Name and registered address	Interest held	Revenue	Net profit/(loss) for the year	Assets	Liabilities	Equity	Net profit/loss for the year
Enologic A/S, Aalborg	50%	61	(1,382)	1,808	78	865	(691)

NOTES

PARENT COMPANY 2005 DKK '000	PARENT COMPANY 2006 DKK '000	Note			GROUP 2006 DKK '000	GROUP 2005 DKK '000
		12.	**Deferred tax**			
4	4		Deferred tax at 1 January		2,402	3,034
-	-		Deferred tax, acquisition of subsidiaries		(10)	-
-	-		Change, deferred tax in prior years		(262)	-
-	(321)		Deferred tax in the year		(735)	(632)
4	**(317)**		**Deferred tax asset at 31 December**		**1,395**	**2,402**
			Deferred tax concerns:			
-	-		Intangible assets		(2,380)	(431)
4	(317)		Property, plant and equipment		(245)	111
-	-		Receivables		483	30
-	-		Other payables		(191)	57
-	-		Share-based payment		353	201
-	-		Tax loss		3,375	2,434
4	**(317)**		**Deferred tax asset at 31 December**		**1,395**	**2,402**
		13.	**Share capital**			
19,252	19,252		Share capital at 1 January		19,252	19,252
19,252	**19,252**		**Share capital at 31 December**		**19,252**	**19,252**
			The share capital consists of 3,850,428 shares of DKK 5 each.			
			Changes in share capital			
500	500		Share capital on formation	1 June 1992	500	500
14,500	14,500		Bonus issue	23 April 2001	14,500	14,500
4,200	4,200		Capital increase	18 June 2001	4,200	4,200
52	52		Issuance of employee shares	July-August 2003	52	52
19,252	**19,252**				**19,252**	**19,252**

NOTES

Treasury shares	Number of shares		Nominal value		Percentage of share capital	
	2006	2005	2006	2005	2006	2005
			DKK '000	DKK '000	%	%
1 Januray	50,957	-	244	256	1,3	1,3
Acquired	-	51,212	-		-	0,0
Sold	-	(255)	-	(12)	-	(0,1)
Treasury shares at 31 December	**50,957**	50,957	**244**	244	**1,3**	1,3

Danware A/S has been authorised by the shareholders in general meeting to acquire treasury shares for a nominal value of up to DKK 1.925 thousand, equal to 10% of the share capital. The company has acquired treasury shares to partially cover incentive programmes.

Danware A/S did not acquire any treasury shares in 2006.

PARENT COMPANY				GROUP	
2005	2006			2006	2005
DKK '000	DKK '000	Note		DKK '000	DKK '000
		14.	**Income taxes payable**		
593	(960)		Income taxes payable at 1 January	(960)	593
-	124		Tax payable regarding prior years	124	-
5,947	218		Current tax charge for the year incl. jointly taxed subsidiaries	269	5,947
	-		Tax payable, Germany	113	-
(7,500)	(6,154)		Income taxes paid in the year	(6,154)	(7,500)
(960)	**(6,772)**		**Income taxes payable at 31 December**	**(6,608)**	**(960)**
		15.	**Contingent liabilities**		
			The Group leases property and tools and equipment under operating leases, and has the following non-terminable operating leases:		
			0-1 year:	1,035	150
			1-5 years:	2,032	136
			Contingent liabilities at 31 December	**3,067**	**186**

An amount of DKK 595 thousand relating to operating leases has been recognised in the consolidated income statement for 2006.

NOTES

Note		GROUP 2006 DKK '000	GROUP 2005 DKK '000
16.	**Cash flows from operating activities before changes in working capital**		
	Operating profit	1,101	18,288
	Adjustment, non-cash operating items, etc.:		
	Amortisation/depreciation	5,985	3,266
	Share-based payment	404	719
	Gain/loss on the sale of non-current assets	(178)	(813)
		7,312	**21,460**
17.	**Changes in working capital**		
	Changes in receivables	(10.422)	(3,112)
	Change in fair value adjustment of hedge instruments	-	-
	Changes in trade and other payables	(1,360)	2,980
		(9,062)	**(132)**

		Carrying amount prior to acqusition	Fair value at date of acqusition
18.	**Additions/acquisition of subsidiaries**		
	Intangible assets	1,000	-
	Property, plant and equipment	177	177
	Receivables	583	583
	Deferred tax asset	-	269
	Trade payables	-	-
	Income taxes	(59)	(59)
	Deferred tax	(11)	-
	Other payables	(1,001)	(1,001)
	Acquired net assets	689	(31)
	Goodwill	4,443	-
	Cost	5,132	-
	Including debt, acquisition of subsidiaries	(3,751)	-
	Cash cost	**1,381**	**(31)**

The acquisition price for Cursum ApS amounted to DKK 5.1m including direct acquisition expenses incurred of DKK 0.4m. In connection with the acquisition of Cursum ApS, Danware A/S determined the identifiable intangible assets, including rights and licenses, which were recognised in the takeover balance sheet at fair value. After recognition at fair value of identifiable assets and liabilities, goodwill related to the acquisition amounts to DKK 4.4m. Goodwill represents the value of future income.

19. Currency and interest-rate risks and use of derivative financial instruments

The Danware Group enters into forward exchange contracts to hedge recognised and non-recognised transactions.

Recognised transactions

Hedging of recognised transactions primarily concerns receivables, cash and debt items.

Currency risk 2005

DKK '000

Currency	Payment/ maturity	Receivable	Cash	Debt	Hedged through forward exchange contracts	Net position
USD	< 1 år	6,178	581	46	9,612	(2,899)

At 31 December 2005, the realised net gain on forward exchange contracts was DKK 194 thousand.

Currency risk 2006

DKK '000

Currency	Payment/ maturity	Receivable	Cash	Debt	Hedged through forward exchange contracts	Net position
USD	< 1 year	8,257	3,332	207	8,497	2,885

At 31 December 2006, the realised net gain on forward exchange contracts was DKK 339 thousand.

Expected future transactions

As the net position does not qualify for hedge accounting, fair value adjustments are recognised in the income statement.

Cash

Most of Danware's cash funds are held in special fixed-term deposit. At 31 December 2006, this involved DKK 90.1m (2005: DKK 88.5m). Interest on the account reflects an underlying bond portfolio/money market placement with a duration of between 0 and 3 years. The bonds have generally had a duration of about 2 years. The return on the special fixed-term deposit was 2% in 2006 (2005: 2.8%) and duration was 0 at the balance sheet date (2005:1.3). The benchmark "Effas 1-3" yielded a return of 1.4% in 2006 (2005: 2,1).

NOTES

20. Related party disclosure

Danware A/S has no related parties exercising control. Danware A/S's related parties exercising a significant influence comprise subsidiaries in which members of Danware A/S's Board of Directors, Management Board and senior management as well as relatives of these persons have material interests. Trading with related parties is conducted exclusively on an arm's length basis, in that Danware A/S trades on the same terms and conditions as apply to the company's trading partners.

Purchases made by the Danware Group in 2006 were as follows:

Topnordic A/S (Chairman Ib Kunøe and Board member Claus Hougesen):

Purchase of IT equipment from Topnordic A/S,	DKK	331 thousand
Sale of software to Topnordic A/S,	DKK	14,987 thousand
Receivables from Topnordic A/S,	DKK	9,875 thousand
Payable to Topnordic A/S,	DKK	16 thousand

Philip & Partnere (Board member Henning Hansen):

Legal assistance from Philip and Partners Law Firm,	DKK	1,379 thousand
Payable to Philip and Partners Law Firm,	DKK	48 thousand

DTM International A/S (CEO Peter Grøndahl):

Expansion and maintenance of CRM system and consultancy services from DTM International A/S,	DKK	2,202 thousand
Payable to DTM International A/S,	DKK	471 thousand

21. Warrants, share options and shares held

Share option plans

In 2004 and 2005, Danware granted share options to executive officers (1 person) and other employees (15 persons) The share option plan at 31 December 2006 comprises 56,853 options. Each option entitles the holder to purchase one existing Danware share worth DKK 5 nominal value.

The options are issued at an exercise price, which is equal to the average of the share as quoted by the Copenhagen Stock Exchange during the ten-day period prior to the date of grant. Options are earned for as long as the holder is employed in the company, but there is no requirement that the holder must still be in employment at the exercise date.

Options granted cannot be exercised until three years after the date of grant and not later than seven years after the date of grant and only in two-week periods after the release of interim profit announcements. It is a condition for exercising the options that the price of the company's shares has increased by at least 6% in the three intervening years from the date of grant.

The options can be settled in cash, but the company's intention is that they are to be settled in shares. The company is expected to acquire additional treasury shares so that the portfolio can be used for purposes of settling options granted.

NOTES

No. of shares of DKK 5 each	Executive officers	Other employees	Total	Exercise price per warrant in DKK	Market value in DKK '000
OPTION PLAN 2003					
(granted on 27 June)					
1 January 2006	4,500	36,961	41,461		
Exercised in 2006	-	(8,125)	(8,125)		
Expired in 2006	-	(10,836)	(10,836)		
Outstanding at 31 December 2006	**4,500**	**18,000**	**22,500**	**108**	**766**
OPTION PLAN 2004					
(granted on 17 August)					
1 January 2006	4,500	29,853	34,353		
Exercised in 2006	-	-	-		
Expired in 2006	-	-	-		
Outstanding at 31 December 2006	**4,500**	**29,853**	**34,353**	**99**	**780**

The market value of the warrants is made up on the basis of Black-Scholes' option valuation model. For 2006, the computation at 31 December 2006 was based on a dividend per share of 3.5% of the share price, a volatility of 0.31120 and a risk-free interest rate of 3%. The expected residual life is 0.5 years (option plan 2004). The performance requirement of the 2003 share option plan has been met and the outstanding options must be exercised not later than 27 June 2010. The expected residual life is estimated at 21 months.

Danware shares held by management

No. of shares of DKK 5 each	Shares held at 1 January 2006	Acquired in 2006	Sold in 2006	Shares held at 1 January 2007
Board of Directors:				
Ib Kunøe	-	-	-	-
Peter Grøndahl	579,557	-	-	579,557
Henning Hansen	-	-	-	-
Claus True Hougesen	-	-	-	-
Per Egon Rank	594	-	-	594
Ole Haag	400	-	-	400
Charlotte Hellested Brøbeck	380	-	-	380
Total	**580,931**	**-**	**-**	**580,931**
Management Board:				
Peter Grøndahl	579,557	-	-	579,557
Executive officers:				
Michael Graves	-	-	-	-
Ole Bjørn Setnes	599,650	-	(288,782)	310,868
Lars Søndergaard	400	-	-	400
Total	**1,180,981**	**-**	**(288,782)**	**892,199**

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