CVR DK 26 91 17 45

KMD A/S
ANNUAL REPORT 2013

KMD
IT WITH INSIGHT

CONTENTS

KMD A/S
Ballerup
CVR no. 26 91 17 45
Annual Report for 2013
12th financial year

PROFILE

KMD – IT WITH INSIGHT

KMD's position as one of Denmark's leading IT and software companies is founded on insight – insight rooted in Denmark's public sector but now also being applied in the private sector.

The majority of our business revolves around software development, as we create and deliver IT solutions for the local government, central government and private markets.

With main sites in Copenhagen, Aarhus, Odense, and Aalborg, KMD has some 3,000 employees and generated revenue of DKK 4.7 billion in 2013.

KMD is majority-owned by funds managed by private equity firm Advent International, while Danish pension fund Sampension and KMD's management hold the remainder of its stock.

SUPPORTING THE WELFARE STATE

For more than 40 years, KMD has played a key role in digitizing the Danish welfare state, helping make Denmark's public sector one of the best run, most efficient and highly digitized in the world.

KMD has developed and currently operates more than 400 IT systems that support the Danish welfare state and accompany Danes from cradle to grave. Each year our systems handle billions of kroner, equivalent to more than 25% of Denmark's GDP. Key social security benefits such as family allowance, maternity/paternity pay, sickness benefit and state pensions are paid through systems developed by KMD.

Our enterprise management systems also handle the finances of many local governments, and each month a million workers in the public and private sectors receive their salary through our payroll systems. Many local governments and private companies have also chosen to have KMD handle parts of their administrative burden, such as payroll and human resources.

THE FUTURE IS DIGITAL

KMD constantly strives to create new digital shortcuts, and we see it as our responsibility to contribute initiatives and solutions that support and develop Denmark's welfare system.

The public sector faces significant challenges: a smaller number of workers need to help a larger number of people, and budgets need to stretch ever further.
KMD views welfare technology and digitization as an important part of the solution, simultaneously improving public services and releasing resources in the sector.

PARTNER FOR THE PRIVATE SECTOR

Decades of experience in the public sector mean that KMD is also able to handle even the most complex IT projects the private sector can muster. We now offer a wide range of services to private companies and organizations.

By outsourcing tasks such as operation and maintenance of IT systems, payroll and HR administration, and printing to KMD, companies can focus on their core business, strategic development and innovation.

AN ATTRACTIVE WORKPLACE

KMD's 3,000 employees are its key asset. Our IT experts and business specialists are national leaders in translating complex processes and legislation into simple and effective IT solutions that make life easier for our customers and their employees and customers.

KMD is known as a great place to work. So that we continue to live up to our customers' requirements, we aim to remain one of Denmark's most attractive IT employers with the strongest specialist teams and the most challenging and complex projects.

INTERNATIONAL AMBITIONS

KMD is based in Denmark, but its special insight also has enormous potential beyond the country's borders.

RESULTS

AN EVENTFUL YEAR

2013 was a busy year for KMD, both internally and externally.

After private equity firm Advent International acquired KMD from EQT and ATP at the end of 2012, the new Board of Directors and the Company's management set about fine-tuning KMD's business strategy, building on the existing strategic plan. Under the banner "KMD Strategy 2017," much of the year was spent adjusting strategies, processes and structures so that we remain a strong player in the years ahead in an increasingly competitive market.

Fierce competition in 2013 meant that KMD could not quite match the growth of previous years. Given market conditions, the year's revenue is considered satisfactory. The decline in revenue was expected, and KMD's management is confident that the strategic and organizational adjustments made in 2013 will have a positive effect on what is a fundamentally sound business with healthy growth prospects.

KMD worked on numerous interesting projects across the business during the year and was proud to complete and roll out one of the country's very biggest IT projects of recent years in 2013. Thanks to close cooperation between KMD and pension provider ATP, payments to more than 2 million Danes have been migrated securely from local governments to the new national agency Payments Denmark.

More local governments took steps to improve their financial transparency and financial management in 2013. Together with KMD, nine local governments signed agreements or started up enterprise management projects based on classic business intelligence, and we expect such projects to gain further momentum in the coming years.

To strengthen digital support for the labor market, two leading players in the field decided to join forces in 2013, with Medialogic being sold to KMD and continuing as a subsidiary.

2013 also brought exciting projects relating to our digital education platform for local governments. Most notable was our work with Vejle, the first local government in Denmark to roll out the platform across virtually all public schools in its area.

The transition agreement governing IT solutions where KMD has historically had a monopoly was extended during the year until 2017. It has been important to KMD that local governments continue to be quite clear about the pricing and other terms for these systems before they are opened up to competition.

2013 saw the launch of a key project for one of KMD's largest clients, the Danish tax authority SKAT, in the form of a unitary system for the collection of taxes. KMD is proud that its contribution to the project has won recognition, and we look forward to maintaining and expanding our working relationship with SKAT.

There were also some exciting projects in the private sector in 2013. The subsidiary KMD BPO won a number of important contracts, most notably with the retailer Coop. This is the largest contract yet for the outsourcing of payroll administration in the private sector in Denmark, with KMD now processing the salaries of 37,000 Coop employees. BPO also entered into contracts with the consulting firm Rambøll and the manufacturer Coloplast.

At the end of the year, KMD entered into a partnership with the telecom company Telenor, under which KMD will take over development and maintenance of Telenor's existing portfolio of IT systems. As part of the deal, 87 IT consultants will transfer from Telenor to KMD in 2014.

New printing contracts were also concluded during the year with the likes of DONG Energy, SEB Pension and Arla Foods.

REVENUE AND EARNINGS

REVENUE
The KMD Group’s revenue fell 0.6% from DKK 4,699 million in 2012 to DKK 4,671 million in 2013 but was in line with expectations.

Adjusted for growth due to the acquisition of Medialogic (included for five months), revenue fell by 1%.

Given market conditions, the year’s revenue is considered satisfactory.

The Group’s revenue comes primarily from sales of services relating to legal and administrative software and from IT outsourcing, services and project sales.

EBITDA
The Group’s EBITDA fell 39.8% from DKK 731 million in 2012 to DKK 440 million in 2013.

ADJUSTED EBITDA
Adjusted for one-off items, there was a marginal decrease in EBITDA from DKK 856 million to DKK 840 million.

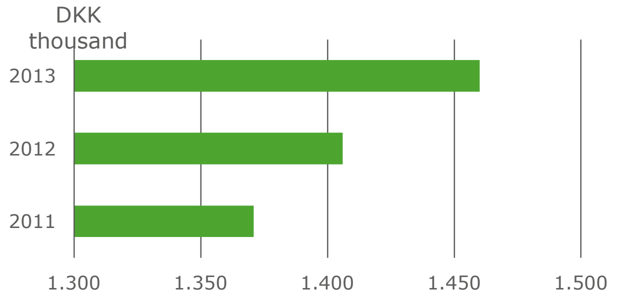
One-off items increased from DKK 127 million to DKK 407 million and consisted mainly of expenditure on rationalization measures.

Adjusted for one-off items, the EBITDA margin fell from 18.2% to 18.0%.

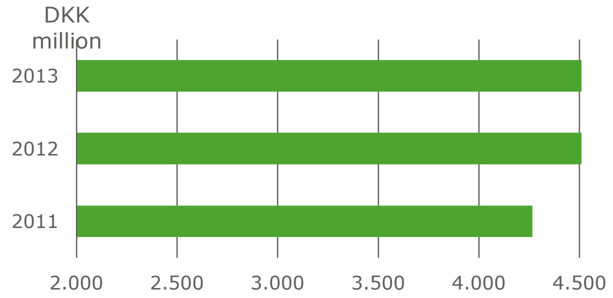
COMPREHENSIVE INCOME
The Group's total comprehensive income fell from DKK 449.8 million in 2012 to DKK 64.1 million in 2013.

The decrease was due mainly to an increase in expenditure on rationalization measures to DKK 280 million and higher depreciations and amortizations due to impairment losses of DKK 212 million on completed development projects caused by a revised market assessment.

REVENUE PER EMPLOYEE



REVENUE



FINANCIAL HIGHLIGHTS
THE KMD GROUP

DKK MILLION

	2013	2012	2011	2010	2009
INCOME STATEMENT					
Revenue	4,670.5	4,698.7	4,266.3	3,951.9	3,826.9
Expenses	4,250.8	3,987.3	3,697.1	3,469.8	3,568.8
Other operating income	20.5	19.8	7.9	2.2	0.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	440.2	731.2	577.1	484.3	258.2
Adjusted EBITDA[1]	840.2	856.3	696.0	526.3	386.7
Depreciation, amortization and impairment losses	363.7	139.3	135.6	129.6	129.6
Operating profit (EBIT)	76.5	591.9	441.5	354.7	128.6
Net financials	-5.7	10.5	-10.5	-25.2	11.2
Tax	-6.4	-154.1	-108.4	-85.3	-27.3
Net profit for the year	64.4	448.3	322.6	244.2	112.5
Comprehensive income	64.1	449.8	325.2	244.5	110.0
BALANCE SHEET					
Total assets	2,448.4	2,581.6	2,202.3	1,937.0	1.932.1
Net interest-bearing debt	-186.6	-90.3	36.9	-103.4	286.1
Share capital	240.0	240.0	240.0	240.0	240.0
Total equity	733.3	969.2	699.4	674.2	429.7
CAPITAL EXPENDITURE					
Property, plant and equipment	93.9	85.7	175.8	116.4	105.7
STATEMENT OF CASH FLOWS					
From operating activities	619.1	535.5	519.3	614.3	434.2
From investing activities	-258.0	-210.8	-356.6	-206.6	-153.4
From financing activities	-210.5	-229.1	-311.9	-246.5	-179.5
Net cash flow for the year	150.6	95.6	-149.2	161.2	101.3
FINANCIAL RATIOS					
EBITDA margin	9.4%	15.6%	13.5%	12.3%	6.7%
Adjusted EBITDA margin	18.0%	18.2%	16.3%	13.3%	10.1%
Profit margin (EBIT margin)	1.6%	12.6%	10.3%	9.0%	3.4%
Solvency ratio	29.9%	37.6%	31.8%	34.8%	22.1%
Return on equity (ROE)	7.6%	53.7%	47.0%	24.4%	26.6%
EMPLOYEES					
Number of full-time equivalents, year-end	2,960	3,372	3,267	3,192	3,245
Average number of full-time equivalents	3,199	3,342	3,112	3,183	3,225

[1] See Explanation of financial ratios.

EXPENSES

STAFF COSTS AND OTHER EXPENSES

Staff costs and other external expenses grew 6.6% to DKK 4,250.8 million in 2013, due largely to an increase in one-off items from DKK 127 million to DKK 407 million. One-off items consisted mainly of expenditure on rationalisation measures.

Adjusted for one-off items, expenses totaled DKK 3,844 million, slightly down on 2012.

Staff costs increased by DKK 210 million, or 9.7%, also due mainly to restructuring.

Adjusted for one-off items, staff costs fell by 3%.

The year’s expenses are considered satisfactory.

OUTLOOK

OUTLOOK FOR 2013

The outlook for the KMD Group in 2013 published in the annual report for 2012 was for revenue on par with 2012 and higher earnings (EBITDA), driven by operational improvements.

Revenue was in line with this outlook, but the Company was unable to grow its earnings (adjusted EBITDA), which were on par with 2012.

OUTLOOK FOR 2014

KMD expects revenue to fall 4% in 2014 but earnings (EBITDA) to grow, driven by operational improvements.

The critical factors that could affect KMD's financial performance both positively and negatively are new sales to local governments and sales to the corporate and central government markets.

With the current strategy, KMD expects to be able to retain its position as one of the top three software and IT service providers in Denmark.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with a material impact on the Company's financial position as of December 31, 2013.

KMD'S MARKETS

LOCAL GOVERNMENT

KMD’s largest market is Denmark's 98 local governments, which account for around 70% of revenue.

Revenue in this market in 2013 was largely unchanged from 2012. Given market conditions, this is considered satisfactory.

We are pleased to see that our market share remains strong with potential for further growth in many areas.

GROWING NEED FOR ENTERPRISE MANAGEMENT

Denmark's local governments have attached importance to financial management for many years, and the latest developments point toward an agenda where the focus is on prioritization, productivity and quality.

One fundamental requirement is modern enterprise systems, and local governments have been catching up on this front in recent years. KMD supplies its ERP system KMD Opus to a long list of local governments, and 2013 brought numerous implementation processes.

More local governments took further steps to improve their financial transparency and financial management in 2013. Together with KMD, nine embarked on business intelligence projects to help with forecasting and planning by bringing together information and data in different areas, such as finance, senior citizens, education and the labor market.

KMD expects projects of this kind to gain further momentum in the coming years.

STRONGER POSITION IN THE LABOR MARKET

The need for agile and reliable IT solutions is greater than ever. To strengthen digital support for the labor market, two leading players in the field decided to join forces in 2013, with Medialogic being sold to KMD and continuing as a subsidiary.

Denmark's politicians are currently putting together a new program to boost employment, and we believe that with Medialogic on board we are in a better position to fulfill the political ambitions in this area.

KMD also sees exciting potential in the unemployment insurance field and entered into an agreement with the teaching union BUPL during the year on systems support in this area.

EDUCATION PLATFORM TAKES OFF

More and more local governments are seeing digitization as a way of improving not only planning but also teaching and learning methods in schools.

Our digital education platform supports both the planning and provision of education, and 2013 brought some exciting projects in the local government market. Most notable was our work with Vejle, the first local government in Denmark to roll out the platform across virtually all public schools in its area, and Morsø, which followed suit at the end of the year. KMD views these two as milestones in expanding the platform across the country’s schools.

DIGITAL WELFARE

The digitization of elderly care services is another important area of welfare technology.

KMD spent much of 2013 further developing its online elderly care platform with additional functionality and better support for areas with poor Internet coverage, and enters 2014 with a particularly strong and competitive solution in this field.

2013 was a strong year for sales of underlying administrative systems. We won nine new customers for KMD Care and launched a brand-new mobile solution in the fall for Denmark’s care workers. One key factor here was for the solution to work in areas where Internet access is not always available.

KMD expects the care sector to increase its share of our revenue in the coming years, while remaining aware of the area's complexity and rapid evolution.

VOICE RECOGNITION

With its broad portfolio of IT solutions, KMD is focused on making local government employees' daily work more efficient while also giving the public a better service.

For example, the tapping of keyboards is now being replaced with the sound of employees talking to their computers in more and more local governments. KMD started or reached agreement on voice recognition projects in 2013 with 11 local governments keen to reduce computer time and increase quality, with benefits for the local government, its employees and the general public alike.

Digital solutions that help provide members of the public with the information they require make life easier for local government employees and give them more time for other duties. Five local governments implemented or signed up for KMD’s contact center solution in 2013, which answers questions from the public via their websites.

A third example of a digital tool that increased efficiency and made good progress in 2013 is KMD I-O Manager, which serves as a digital mailing center for local governments and helps employees send, receive and archive digital correspondence with the public. KMD signed 21 new contracts with local governments in 2013 on the use of this solution to rationalize their administration.

SECURE ELECTIONS

KMD's core competency is IT support for Danish society, and one of its most prestigious tasks is helping the nation at election time.

The fall of 2013 saw local and regional elections, and they were the most digital yet. More than 600 polling places used digital voting lists, which help them to register voters. All in all, it was a successful and securely implemented ballot, with KMD having around 60 employees on hand on the night to help local governments through the process.

The election also brought work for KMD’s analytical unit. Its survey of Danes' views of the media used in the campaign, including election posters, was covered extensively by the country's media. Earlier in the year, its report on the potential for digital rather than physical meetings in the local government sector also attracted broad coverage.

WIDER PARTNERSHIP ON CLOUD COMPUTING

At the end of the year, KMD and Microsoft announced an extended partnership on cloud computing, with KMD offering the full range of Microsoft cloud solutions. Our customers now have access to both our private cloud solutions, hosted by KMD in Denmark, and Microsoft's public cloud, hosted abroad.

This is the first time that Microsoft has offered the public sector hybrid and fully outsourced cloud services of this kind together with a partner.

TRANSITION AGREEMENT EXTENDED

The transition agreement covering IT solutions where KMD has historically had a monopoly was extended during the year until 2017.

It has been important to KMD that local governments continue to be quite clear about the pricing and other terms for these systems before they are opened up to competition.

KMD looks forward to the upcoming calls for tenders for the provision of critical IT solutions. We consider it only natural and sensible for the solutions covered by the transition agreement to be opened up to competition.

We aim to remain a key supplier of IT systems to Danish local governments and therefore look forward to tendering for these contracts when the systems are put out to tender.

STRONGER IN OPEN ARCHITECTURAL FRAMEWORKS

The local government landscape is increasingly moving toward broad IT support based on shared architectural frameworks. To ensure strong competencies and capacity in this area, KMD decided in 2013 to acquire IT company Axapoint, which will continue to operate as a subsidiary.

KMD sees this amalgamation as a good opportunity to accelerate the integration of architectural frameworks into KMD's broad palette of technical systems for local governments.

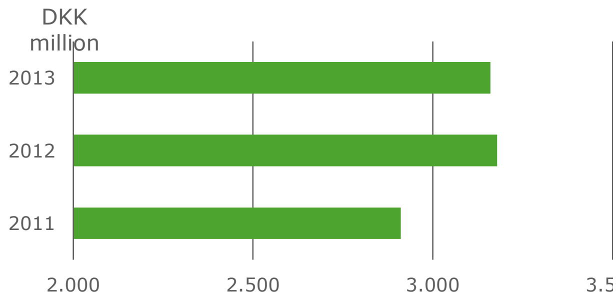
CUSTOMER SATISFACTION

Overall customer satisfaction in the local government market increased slightly in 2013, with 77% of customers expressing satisfaction with KMD.

Around two-thirds of customers said that KMD has better products than the competition, and customers were particularly pleased with KMD's reliability.

However, our surveys also showed that our work on more transparent pricing will be appreciated, as this is the area where the highest number of local government customers (16%) felt we could improve.

REVENUE



CENTRAL GOVERNMENT

KMD's revenue in the central government market fell by 11.11% in 2013 as some large projects with full effect in 2012 were not completed until early 2013.

PAYMENTS PROJECT COMPLETED

We were able to complete and roll out one of the country's very biggest IT projects of recent years in 2013. Thanks to close cooperation between KMD and pension provider ATP, payments to more than 2 million Danes have been migrated securely from local governments to the new national agency Payments Denmark.

The transition was planned in three phases, the last of which took place in spring 2013. KMD is proud of the way the project went and sees it as confirmation of its ability to take on large and complex IT projects.

TAX SYSTEM UP AND RUNNING

One of KMD's largest customers is the Danish tax authority SKAT. We have helped SKAT with a wide range of projects over the years, and 2013 saw the completion of one of the biggest – a unitary system for the collection of taxes that rationalizes working processes through automation and reduces duplication.

Many different players are connected to the system, and the collection of taxes is also complex in legal terms. The overall project has been delayed, but KMD believes that it will ultimately prove a solid source of efficiency gains.

KMD is proud that its contribution to the project has won recognition, and we look forward to maintaining and expanding our working relationship with SKAT.

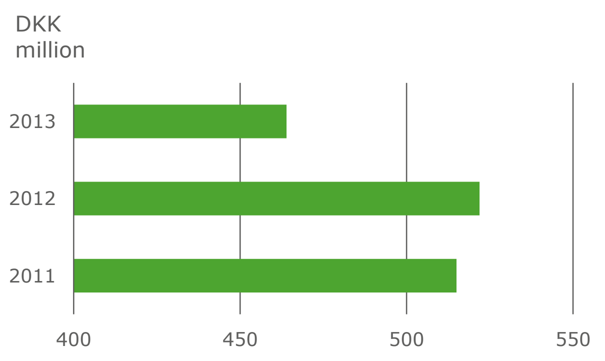
One new project for SKAT concerns the adjustment of preliminary tax assessments, which will give the tax authority new opportunities to prevent taxpayers getting into arrears.

CUSTOMER SATISFACTION

KMD's surveys show that customer satisfaction in the central government sector increased in 2013. 83% of customers said they were satisfied with KMD, which is a healthy improvement on 2012.

KMD's solutions were considered to match those offered by the competition, and slightly more than two-thirds of customers thought KMD more reliable than its competitors.

REVENUE



PRIVATE SECTOR

KMD's sales to the private sector grew by 4.91% in 2013. We are satisfied with this performance.

PAYROLL OUTSOURCED TO KMD

Outsourcing of payroll administration is becoming increasingly popular in the private sector. The subsidiary KMD BPO won a number of important contracts during the year, most notably with the retailer Coop. This is the largest contract yet for the outsourcing of payroll administration in the private sector in Denmark, with KMD now processing the salaries of 37,000 Coop employees. BPO also entered into contracts with the consulting firm Rambøll and the medical device manufacturer Coloplast.

We view these contracts as a reward for demonstrating over many years that we are a strong and competitive player in this market.

PARTNERSHIP ON IT PLATFORM

KMD also plans to take on more application management contracts in the future. At the end of the year, KMD entered into a partnership with the telecom company Telenor, under which KMD will take over development and maintenance of Telenor's existing portfolio of IT systems. As part of the deal, 87 IT consultants will transfer from Telenor to KMD.

We see this contract as recognition of our expertise in application maintenance and our growing presence in the private sector.

FURTHER POTENTIAL FOR IT OUTSOURCING

KMD has offered businesses IT outsourcing solutions for some years, and 2013 saw the renewal of several contracts with existing customers.

KMD also expects its extended cloud partnership with Microsoft announced at the end of the year to help bring in further customers.

We are seeing growing demand for hybrid cloud solutions where some data are stored in Denmark and other data in a larger cloud abroad. The new partnership with Microsoft allows KMD to build bridges between these different models.

EXPANSION IN PRINTING

KMD is one of Denmark's largest print providers and has been winning more and more contracts from both the public and private sectors.

New contracts were entered into during the year with the likes of DONG Energy, SEB Pension and Arla Foods, and contracts were renewed by the existing customers JN Data and TDC.

CUSTOMER SATISFACTION

KMD's surveys reveal that business customers were less satisfied with KMD in 2013, with only 64% expressing satisfaction with the Company.

The source of this decrease in customer satisfaction can be traced to the utilities sector, where KMD has work to do. We have increased focus on this segment and expect customer satisfaction there to recover in 2014.

The results for the rest of the private sector were very pleasing. 91% of customers were satisfied with KMD, and we were considered a sound and reliable supplier.

REVENUE

CORPORATE COMPLIANCE AND GOVERNANCE

CORPORATE GOVERNANCE

The Board of Directors and Executive Board of KMD A/S are responsible for ensuring that the Company's management structure and control systems are appropriate and function satisfactorily. The basis for the management's work includes the Danish Companies Act, the Danish Financial Statements Act, the Company's bylaws and rules of procedure for the Board of Directors and Executive Board, and good practice for companies of the same size as KMD.

Management's review has been drawn up on the basis of the Danish Venture Capital and Private Equity Association's guidelines for active ownership and transparency in private equity funds (see www.dvca.dk).

OWNERSHIP AND CAPITAL STRUCTURE

As of December 31, 2013, the entire share capital of DKK 240 million (240,000 shares) in KMD A/S was owned by the parent company KMD Holding A/S, which is a wholly-owned subsidiary of AI Keyemde ApS. AI Keyemde ApS is owned by AI Keyemde & Cy SCA and the limited partnerships AI Keyemde B K/S, AI Keyemde B2 K/S, and AI Keyemde C K/S.

The company structure is illustrated below. The share capital of KMD A/S is not divided into share classes.

DIVIDEND

The Company's bylaws authorize the Board of Directors to take decisions on distribution of extraordinary dividends where the financial situation of the Company and the Group allows.

In March 2013, a total dividend of DKK 300 million was paid to KMD Holding A/S. The dividend was used to repay loans.

THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors held 12 meetings in 2013. It worked on the revision of the Group's business strategy, followed up the implementation of KMD's strategy and action plans, and was briefed monthly by the Executive Board on the Company's financial performance.

REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

Total remuneration of DKK 10.9 million was paid to the Board of Directors and the Executive Board in 2013. See Note 6 to the consolidated financial statements for further information.

REMUNERATION

Board of Directors	DKK 0.2 million
Executive Board	DKK 10.7 million
Total	**DKK 10.9 million**

CORPORATE COMPLIANCE

KMD stepped up its work on regulatory compliance in 2013, especially with UK and US anticorruption rules in light of KMD's new ownership.

With assistance from external consultants, KMD produced a gap analysis and a risk analysis based on Transparency International's recommendations to optimize the prioritization of future compliance measures.

The majority of KMD's activities are in Denmark, which is a low-risk country, and in the IT segment, which is a low-risk sector. As KMD does business mainly with the public sector, however, the consultants recommended that we strengthen the training of customer-facing employees in anticorruption.

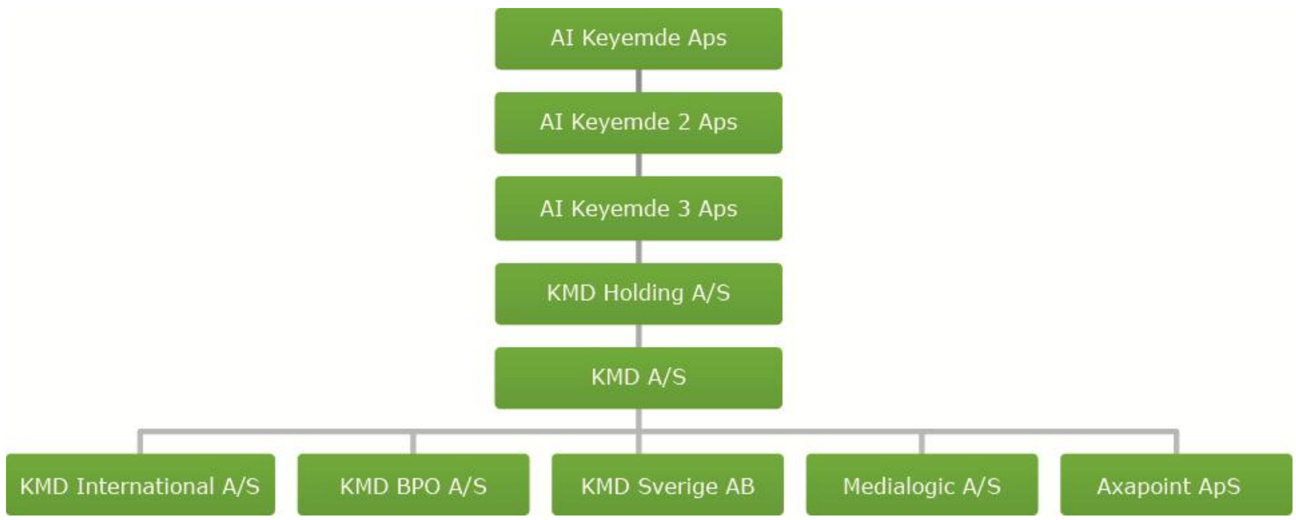
Besides a general introduction to compliance given to all new employees, KMD therefore developed and implemented an e-learning program on anticorruption for customer-facing employees in 2013. Completion of the program is compulsory.

The introduction of a whistleblower program in 2012 has given all employees and members of both the Executive Board and the Board of Directors an alternative to the regular reporting pathways when reporting breaches of legislation and KMD's internal rules.

The whistleblower program covers the seven key compliance areas at KMD: anticorruption, IT security, authorizations, competition law, intellectual property rights, contractual risk management and document management/storage. A total of five cases were reported and dealt with through the program in 2013.

In 2014, KMD will continue to implement the consultants' other recommendations, which include extending the whistleblower program to include external stakeholders. There will also be focus on expanding the compliance program to include KMD's subsidiary in Sweden.

We work continuously on IT security policies and programs to support our objective of secure and reliable data processing. KMD was certified under the Danish security standard DS 484:2005 in 2010 and was recertified for quality (ISO 9001) and IT service management (ISO 20000) in 2013. We were also certified under the international information security management standard ISO 27001 in 2013.



SPECIAL RISKS

BUSINESS RISKS

Like all other IT companies, KMD is exposed to a number of business risks relating to market developments, customer demand, technological changes, employee recruitment, project management, etc.

KMD works systematically with risks via an Enterprise Risk Management function, which operates in accordance with international guidelines and standards for risk management and provides KMD's Board of Directors and Executive Board with an overview of the Group's key risks and the management of these risks.

Work on early identification and evaluation of risks and on planning how to handle known risks and incorporate them into strategies and targets is an integrated part of managing the business.

A significant part of KMD's business involves legal IT systems, which currently come under the transition agreement entered into with Denmark's local governments in connection with the privatization of KMD in 2009.

All of these systems will be opened up to competition in the coming years, and KMD views free competition as positive for both customers and the IT sector.

This change of business model will, of course, present a commercial challenge. However, KMD remains confident given its unique and sound domain knowledge.

CONTROL AND RISK MANAGEMENT

KMD has established a number of control and risk management systems in connection with financial reporting, the purpose of which is:

_To ensure timely, accurate, and informative financial reporting in accordance with applicable accounting legislation.
_To create a basis for internal financial control and budget follow-up.

The control and risk management systems established are improved continuously and are designed to ensure that errors and irregularities are detected and corrected in time. The systems established can be divided into:

_Control environment
_Risk assessment
_Control activities
_Information and communication
_Monitoring

CONTROL ENVIRONMENT

Responsibilities and authorities are defined in the Board of Directors' instructions for the Executive Board, policies, procedures and codes. The Board of Directors approves KMD's main treasury, finance and risk management policies, while the Executive Board approves other policies and procedures, and the responsible functions issue guidelines and supervise the application of all policies and procedures. Systems have been established to ensure correct functional separation in the accounting department. The organizational structure and the internal guidelines define the control environment in conjunction with laws and other rules and regulations.

RISK ASSESSMENT

Calculation of a number of items in the financial reporting is based on estimates, some of which are generated through processes based on complex assumptions. The ongoing process for risk assessment of contracts and projects in progress identifies these items, and the scope of the risks associated with them is determined by the controllers responsible for the business in close collaboration with the accounting department.

CONTROL ACTIVITIES

The aim of control activities is to prevent, detect and correct any errors and irregularities. These activities are integrated into KMD's accounting and reporting procedures and include procedures for certification, authorization, approval, reconciliation, analysis of results, separation of incompatible functions, controls relating to IT applications, and general IT controls.

All risk assessments and associated controls are consistent with KMD's strategy and targets.

INFORMATION AND COMMUNICATION

KMD maintains information and communication systems to ensure that financial reporting is reliable and complete. KMD's bookkeeping rules and procedures for financial reporting are set out in an accounting manual. The accounting manual and other reporting instructions, including budget and month-end procedures, are updated as necessary. Together with other policies relevant to internal control of financial reporting, these are available to all finance employees and other relevant employees on KMD's intranet.

MONITORING

KMD uses a comprehensive enterprise system to monitor the Company's results, making it possible to detect and correct any errors and irregularities in financial reporting at an early stage, including weaknesses in internal controls and non-compliance with procedures and policies.

Compliance with the accounting manual is monitored on an ongoing basis at Group level.

STRATEGY AND ORGANIZATION

KMD'S STRATEGY

Private equity firm Advent International acquired KMD from EQT and ATP at the end of 2012. Advent International's investment in KMD was made in partnership with Sampension, one of Denmark's largest pension companies.

The new Board of Directors and the Company's management set about fine-tuning KMD's business strategy in 2013, building on the existing strategic plan. Under the banner "KMD Strategy 2017", much of the year was spent adjusting strategies, processes and structures so that the Company remains a strong player in the years ahead in an increasingly competitive market.

KMD announced at the beginning of 2014 that Lars Monrad-Gylling has decided to step down as CEO after 15 years at the helm. Eva Berneke has taken over as CEO from mid-March 2014 and therefore shares responsibility with the rest of the Company's management for realizing KMD's strategic goals in the years ahead.

KMD STRATEGY 2017

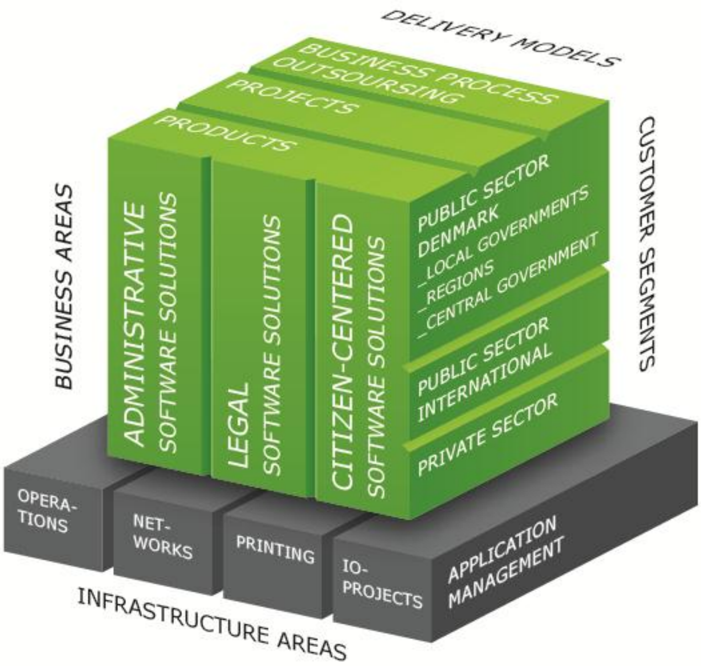
KMD's revised business strategy through to 2017 builds on the fundamental premise that KMD is best when it sticks to its core business.

_KMD is to remain the best and most natural choice when new laws are passed that impact on IT solutions in the public sector.

_KMD is to remain the best and most natural choice when local governments need help rationalizing their administration.

_KMD is to remain the best and most natural choice when the Danish public is offered citizen-centered IT solutions in areas such as health and education.

The public sector faces significant challenges: a smaller number of workers need to help a larger number of people, and budgets need to stretch ever further. KMD views welfare technology and digitization as an important part of the solution, simultaneously improving public services and releasing resources in the sector.



KMD sees considerable potential in citizen-centered software solutions, and in recent years we have worked closely with customers to create new digital solutions for the school, health and elderly care sectors.

KMD's core business also builds on strong and all-important foundations in the form of infrastructure. For four decades, Infrastructure Outsourcing has supported local governments with infrastructure solutions, and KMD aims to remain one of Denmark's largest and strongest suppliers of IT infrastructure.

More contracts will be awarded as standalone projects in the coming years. Application Management will therefore continue to enhance its capacity to deliver large IT projects at the agreed time, price and quality.

KMD 2.0

Having developed robust solutions for the public sector for more than 40 years, KMD has a strong starting point from which to execute its strategy.

If we are to remain the leading supplier of digital shortcuts for the Danish welfare state, we need to be the best in a field of strong contenders. KMD has therefore launched the program KMD 2.0, which is ultimately about improving the way the Company works.

One key objective of KMD 2.0 is operational transparency, and the program includes elements such as whiteboard meetings, coaching sessions and standard operating procedures.

KMD 2.0 was introduced in Administrative Software Solutions in 2011 and 2012 and was rolled out in other parts of the business in 2013. Experience has been positive, and KMD expects the program to have a significant impact on competitiveness in the years ahead.

NEW ORGANIZATION

As part of KMD Strategy 2017, a new organization structure was introduced.

Within the four main business areas Legal Software Solutions, Administrative Software Solutions, Citizen Centered Software Solutions & Application Management, and Infrastructure Outsourcing, 17 business units will have greater independent responsibility for everyday customer-facing activities.

On the other hand, some of the internal focus will be removed by also setting up two larger units to handle software development and operations: Software Development Center and Operations.

KMD also worked on implementing a new Go to Market (GtM) model in 2013. One key element in adjusting the sales process has been to strengthen tendering processes at KMD, and a new Bid Excellence function saw the light of day during the summer.

KMD'S EMPLOYEES

People are the most important success factor for KMD, and the Company strives continuously to improve in areas such as recruitment, employee development, leadership and organization development.

KMD has long focused on leadership processes, and the KMD 2.0 program has put focus on management in an everyday context. The introduction of daily whiteboard meetings across the business has made management more visible. It is at these meetings that KMD's managers now carry out the bulk of their managerial work on prioritization, key issues and communication. For the individual employee, this means a working day with greater transparency and better prioritization of tasks.

STIFFER COMPETITION

Recent years have brought falling prices for software and IT services, and players in the industry are constantly having to adapt. For this reason, KMD had to cut 244 jobs across the business in fall 2013.

This followed 93 layoffs in Administrative Software Solutions during the spring due to stiffer competition and the transition from a period of parallel operation of IT systems with extensive scale-up and development work for the KMD Opus platform, to a more operation-oriented phase.

A CHANGING BUSINESS

2013 was a year of change at KMD, which is reflected both positively and negatively in our annual employee satisfaction survey.

General levels of satisfaction fell somewhat, with 76% of employees considering KMD to be a good place to work, down 8 percentage points on 2012.

On the other hand, the survey revealed that satisfaction increased in other areas, including efficient working processes, clear strategies and attentive management.

KMD takes this as a sign that initiatives such as KMD 2.0 are having a positive effect, but also that measures such as downsizing naturally impacts on employee wellbeing.

KMD is a changing business, where a high tempo, agility and the unknown are part of everyday working life. This goes with the territory in the IT sector.

Although KMD is changing all the time, it still aims to be among the best IT employers in Denmark. Management will therefore do what it can to ensure that employees consider KMD a good and rewarding place to work.

NEW WAYS OF GETTING TOGETHER

KMD has a long tradition of getting together for sporting and other leisure activities. We have numerous clubs, where employees from across the business team up to enjoy soccer, photography, angling, etc.

One new area is the triathlon. KMD’s lead sponsorship of the KMD IRONMAN and KMD 4:18:4 triathlons has led many employees to have a crack at this new discipline. No fewer than 84 employees took part in the KMD IRONMAN in Copenhagen or the shorter KMD IRONMAN 70.3 in Aarhus, either solo or as part of a team. The less extreme KMD 4:18:4 sprint triathlon has broad appeal across the Company, and a total of 354 employees took part in these events across the country.

KMD sees sponsorship as a good way of both bringing people together across the business and raising the profile of the Company.

SUBSIDIARIES

KMD BPO A/S

KMD BPO A/S is a wholly-owned subsidiary of KMD A/S offering business process outsourcing (BPO) services for administrative processes, including payroll and HR administration, and has customers in both the public and private sectors.

KMD BPO A/S IN FIGURES

Revenue	DKK 174.6 million
Profit before tax	DKK 11.2 million
Equity, year-end	DKK 20.6 million
Employees, year-end	212

KMD MEDIALOGIC A/S

KMD Medialogic A/S is a wholly-owned subsidiary of KMD A/S and develops IT solutions for the labor market. The company was acquired in summer 2013 and is included for only five months.

KMD MEDIALOGIC A/S IN FIGURES

Revenue	DKK 49 million
Profit before tax	DKK 7.2 million
Equity, year-end	DKK 11.4 million
Employees, year-end	56

KMD SVERIGE AB

The Swedish subsidiary KMD Sverige AB was formed in 2010. Consulting services accounted for most of its business in 2013. The intention behind this subsidiary, however, is to use KMD's expertise and many years of experience from the public sector in Denmark to develop a Swedish counterpart to KMD Opus, which is enjoying great success among Danish local governments, and KMD Sverige AB won its first software customer based on KMD Opus in 2013.

KMD SVERIGE AB IN FIGURES

Revenue	DKK 25.5 million
Loss before tax	DKK 14.0 million
Equity, year-end	DKK 7.8 million
Employees, year-end	39

KMD INTERNATIONAL A/S

The subsidiary KMD International A/S was formed to further the internationalization of selected activities concerning software-related products.

KMD INTERNATIONAL A/S IN FIGURES

Revenue	DKK 0.3 million
Loss before tax	DKK 0.1 million
Equity, year-end	DKK 3.0 million
Employees, year-end	0

AXAPOINT APS

Axapoint ApS, the Danish leader in architectural frameworks, was acquired by KMD in 2013 and is behind the organization and classification solution APOS2 for Danish local governments. The company is not included in the consolidated operating results for 2013.

AXAPOINT APS IN FIGURES

EBITDA	DKK 2.0 million
Profit before tax	DKK 2.0 million
Equity, year-end	DKK 1.9 million
Employees, year-end	5

BOARD OF DIRECTORS

CHAIRMAN
LÉO APOTHEKER
Born 1953
BA Economics & International Relations, Hebrew University, Jerusalem
Chairman since 2012

Other positions:
Vice Chairman, Schneider Electric SA

OTHER MEMBERS
JOHN WOYTON
Born 1978
BSc Economics, London School of Economics
Director, Advent International Corporation
Member since 2012

FRED WAKEMAN
Born 1962
BA Economics and History, University of California, Berkeley, and MBA, Georgetown University School of Business
Managing Partner, Advent International Corporation
Member since 2012

Other positions:
Director, DFS and Oberthur Technologies

MICHAEL CHRISTIANSEN
Born 1945
LLB, Copenhagen University
Member since 2010

Other positions:
Chairman, DR, Dansk Retursystem A/S and the government's Pay Commission
Director, Aarhus University, the Norwegian National Opera & Ballet, and the Royal Opera in Stockholm

EVA BERNEKE
Born 1969
MSc in Mechanical Engineering, Technical University of Denmark, and MBA, INSEAD
CEO, KMD A/S
Employed in KMD since 2014
Member since 2014

Other positions:
Deputy Chairman, Copenhagen Business School
Director, LEGO A/S and Schibsted ASA

CARSTEN FENSHOLT
Born 1962
MSc in Advanced Economics and Finance, Aarhus University
COO, KMD A/S
Employed in KMD since 2009
Member since 2012

Other positions:
Chairman, Eatcard A/S
Director, Progressive A/S

ELSE BERGMAN
Born 1954
Technical consultant, KMD A/S
Employed in KMD since 1980
Member since 2012

Other positions:
Employee representative, KMD

BJERNE KAJ NIELSEN
Born 1956
Project manager, KMD A/S
Employed in KMD since 1981
Member since 2002

Other positions:
Employee representative, KMD

ERIK LYKKE HANSEN
Born 1952
Surveillance operator
Employed in KMD since 1969
Member since 2002

Other positions:
HK union representative, KMD A/S
Chairman, KMD National Club within HK

EXECUTIVE BOARD

EVA BERNEKE*
CEO

CARSTEN FENSHOLT*
COO

OLE N. J. JENSEN
Senior Vice President, Legal Software Solutions

BJARNE GRØN
Senior Vice President, Administrative Software Solutions

SØREN AMUND HENRIKSEN
Senior Vice President, Citizen Centered Software Solutions & Application Management

FRANK OLESEN
Senior Vice President, KMD Operations

LISBETH HALD
Senior Vice President, HR & Facility Management

MORTEN LANGAGER
Senior Vice President, Communication & Marketing

CHRISTOFFER HOLTEN
Senior Vice President, Strategy & Business Development

JANNICH KIHOLM LUND
CFO

MARK SKRIVER NIELSEN
Senior Vice President, Legal & Business Support

SØREN RIISGAARD
Senior Vice President, Business Transformation

* Registered as Executive Management with the Danish Business Authority

CORPORATE SOCIAL
RESPONSIBILITY REPORT

Dear Reader

KMD has provided digital support for Denmark's public sector for more than 40 years. We are therefore an integral part of the Danish welfare state, and this forms the starting point for our work on corporate social responsibility (CSR).

Our CSR strategy covers four main areas: digital welfare, employees, climate & environment and supply chain. In 2013, we focused on building partnerships and developing projects in these four areas that support KMD's vision of "Digital Shortcuts" and its CSR strategy. For us, CSR is about making an active contribution, rather than presenting a barrier, to social, economic and environmental sustainability. This is set out in our CSR policy introduced in 2011 and our CSR strategy launched in 2012.

The starting point is KMD's position as an IT company with the vision of creating digital shortcuts for customers and society. As regards CSR, this means that KMD will create digital shortcuts that contribute to a richer, safer and more sustainable society.

Our work in these four main areas is described in more detail below.

KMD first made a commitment to apply the UN Global Compact's 10 principles in 2011. We are proud to uphold this commitment and supported the Global Compact with a donation of USD 10,000 in 2013.

The Global Compact provides KMD with a general framework for its CSR work. This work is coordinated by the Company's CSR Board, chaired by the CEO and otherwise comprising the Senior Vice Presidents for Citizen Centered Software Solutions, Sales, HR & Facility Management and Communication & Marketing. The CSR Board issues guidelines for the Company's CSR efforts, and monitors and ensures progress on the targets set for the various focus areas. KMD's works council also serves as a reference group for the development of CSR work.

KMD considers its overall CSR efforts to be satisfactory.

Best wishes

Lars Monrad-Gylling
CEO, KMD A/S

STATUTORY REPORT

This report constitutes the statutory report on corporate social responsibility for KMD A/S pursuant to section 99a of the Danish Financial Statements Act. The report provides an overview of KMD's work as a socially responsible business. Further information about KMD's CSR efforts can be found on its website at www.kmd.dk/csr. However, that additional information does not form part of the Company's reporting pursuant to section 99a.

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The articles cited in the table refer to the UN Universal Declaration of Human Rights.

DIGITAL WELFARE

RESULTS IN 2013

KMD's CSR work relating to digital welfare focused on citizen-centered services in the public sector in the areas of education, health and elderly care. KMD sees real potential for digital solutions to the demographic and economic challenges facing the Danish welfare model and aims to support this process in a responsible manner. We are therefore concentrating on sharing solutions and knowledge, while remaining aware of the challenges increased digitization may present for some groups in society.

EDUCATION

The digitization of schools and training for young people is a focus area for KMD, and we supported the following three initiatives in 2013:

HOMEWORK HELP ONLINE

KMD partnered with the State and University Library in 2012 to establish three online homework cafés at our sites in Ballerup, Odense and Aalborg, where up to 60 KMD employees offered help online with homework assignments. We were able to provide help on more than 1,200 occasions in 2013[1].

The main target group is children and young people from disadvantaged areas, who are typically unable to get help with their homework from their parents. Boys in particular tend not to use the physical homework cafés in their local communities[2].

Besides providing help with homework, KMD also worked with the library on further developing the digital platform for the project. We also enlarged the target group with trials at four high schools and signed an agreement with the local government in Frederiksberg, which will be the first in the country to offer online homework help to all students in its area.

KMD and the National State and University Library were shortlisted for the best partnership in the Danish CSR Awards 2013.

LØKKEFONDEN AND KHAN ACADEMY

KMD has been working with LøkkeFonden – a charity founded by former prime minister Lars Løkke Rasmussen "to bring boys back from the edge to become useful members of society" – since 2012 on creating a Danish version of the world's most widely used online educational resource, the much-praised Khan Academy.

Khan Academy is a platform that enables students to improve their skills, particularly in the natural sciences. At the heart of the platform are a number of exercises, tests and instructional videos, which have previously been available only in English. KMD and LøkkeFonden are in the process of translating the whole platform so that Danish students and teachers can access the entire Khan Academy.

As of the end of 2013, a total of 427 mathematics videos had been recorded and uploaded to Khan Academy Denmark's YouTube channel, and a beta version of the entire platform had been launched (da-dk.khanacademy.org/).

DIGIGUIDES

KMD joined forces with the teacher training programs at University College Copenhagen (UCC) in 2013 to set up a corps of DigiGuides – teaching students with a special interest in IT and digital learning tools who can help teachers and students with digital solutions. KMD supplied 30 tablets and various other hardware to DigiGuides, and launched the KMD Education Award for the best digital practical assignment by a teaching student, which will be awarded for the first time in March 2014.

KMD will support the DigiGuides project with annual donations of DKK 150,000 in both 2014 and 2015.

HEALTH AND ELDERLY CARE

KMD views health and elderly care as an important area of the welfare state where digital solutions have great potential to reduce costs and improve quality of life for both patients and the wider public.

COMPUTER LITERACY AMONG THE ELDERLY

In 2013, KMD continued its work with DaneAge – Denmark's largest organisation for the elderly – on an e-learning program for those with limited computer literacy as part of the organization's drive to raise the general level of IT skills among senior citizens. The aim is to tackle the social challenge presented by the fact that almost 400,000 senior citizens in Denmark have never been online – yet 80% of communication between the general public and the public sector will be digital by the end of 2015.

[1] KMD's employees are able to swap their normal working hours for shifts as online helpers. All of the helpers are given introductory training and are then offered further training in homework help on an ongoing basis.
[2] State and University Library, Study of pupils' opportunities for help with homework, 2010.

The program has been developed jointly by KMD and volunteer IT teachers from DaneAge and complements the thousands of IT courses the organization already runs each year. By the end of 2013, the program had attracted more than 32,000 unique users[3], and 44% of DaneAge's IT workshops were using it in the classroom or for homework assignments[4].

You can find more information on the cooperation at www.aeldresagen.dk/dus-med-pc (in Danish).

DANISH LUNG ASSOCIATION

KMD began working with the Danish Lung Association in 2013 to draw attention to the digital support available to lung patients and lung health in general. More specifically, the partners worked on a new online patient network which enables lung patients to draw inspiration and strength from one another. KMD donated DKK 250,000 during the year and held workshops for lung patients and employees of the association. In addition, teams of Danish celebrities, lung patients and lung specialists helped raise the profile of lung health by taking part in the KMD IRONMAN triathlon in Copenhagen and the KMD 4:18:4 sprint triathlons in Odense, Aalborg, and Copenhagen[5].

KNOWLEDGE-SHARING

KMD's analytical unit published three reports on digitization in 2013. These looked at the digitization of meetings in the public sector, the potential for IT solutions in kindergartens and the digitization of treatment for COPD patients[6].

KMD continued to focus on creating and sharing knowledge of the solutions that will be required to realize political ambitions for digitization of the public sector, and to promote an active debate on how we want to use IT in both the public and private sectors.

As a member of the Digital Council, our CEO Lars Monrad-Gylling was behind two reports on the digitization of the public sector. One followed up a self-evaluation tool launched by the Digital Council in 2012 to help school principals assess their schools' digital maturity. The other drew attention to the problem that there are numerous small-scale trials of digital welfare solutions in Denmark but relatively few examples of them being rolled out on a large scale, which is where the real benefits associated with digitization lie[7].

KMD once again co-hosted Welfare Innovation Day together with independent think tank Mandag Morgen in 2013.

We also continued to engage users of the social media Facebook, LinkedIn and Tumblr in debate and knowledge-sharing on digitization of the health and education sectors in two communities set up in 2012, and we created a third community to involve parents more in their children's learning. These three communities now have 2,623, 6,243 and 3,268 followers respectively on Facebook[8].

KMD again held a work experience week, giving 32 high-school students from around the country an opportunity to grapple with the development of IT for schools and help make it an exciting subject with a wealth of applications. By opening our doors like this, we hope to help stimulate interest not only in IT as a discipline but also in KMD as a future employer.

In the same vein, KMD again hosted the FIRST LEGO League, a research and technology competition for ages 10-16. The aim of the project is to increase young people's interest in technology and science and encourage more of them to consider a career in engineering.

DONATING COMPUTERS

KMD continued to work with NordVirk, an organization that creates jobs for young people with autism spectrum disorders. We donated more than 4 tons of used IT hardware, which was then equipped with new software and sold on via NordVirk's website.

KMD considers its CSR work relating to digital welfare to be very satisfactory.

[3] As of 7 January 2014.
[4] DaneAge, Survey of IT volunteers, November 2013.
[5] The KMD IRONMAN consists of a 2.4 mile swim, a 112 mile cycle ride and a 26 mile run. The KMD 4:18:4 is a 10th of the full KMD IRONMAN.
[6] DaneAge, Survey of IT volunteers, November 2013.
[7] The reports can be found at raadet.cedi.dk.
[8] As of 7 January 2014.

GOALS FOR 2014

EDUCATION

Homework help: KMD will continue to offer help with homework online. The goal is for KMD's employees to provide help on at least 1,200 occasions in 2014.

Khan Academy: Together with LøkkeFonden, KMD will launch a full Danish version of Khan Academy. We will also work with LøkkeFonden to facilitate a major education conference in Denmark.

DigiGuides: KMD will continue to support the project and explore the possibility of expanding the KMD Education Award to include other university colleges in Denmark.

HEALTH AND ELDERLY CARE

DaneAge: KMD and DaneAge will launch a new version of their e-learning program. Another goal is for at least 60% of DaneAge's IT volunteers to use the program, and for it to have at least 25,000 users in 2014.

Danish Lung Association: We will launch a new online patient network for lung patients and raise awareness of lung issues by having at least 25 people from the association take part in a KMD 4:18:4 or KMD IRONMAN triathlon.

KNOWLEDGE-SHARING

KMD's analytical unit will publish a minimum of three analyses, and we will continue to work with the Digital Council and encourage debate in our online social media communities.

EMPLOYEES

RESULTS IN 2013

KMD wants to be an attractive workplace where employees are proud of the contribution we make to society – by virtue of both our products and our behavior and knowledge.

We believe that we will remain strong as a company if we create clear structures for our employees and give them scope for personal and professional development and flexibility in their working lives. As a company, we must make room for differences and have big ambitions, giving employees the personal freedom to achieve common goals regardless of gender, age, religion, disability or sexual orientation.

Unfortunately, the tough market conditions faced by KMD impacted directly on the workforce in 2013. We had to carry out two rounds of layoffs, resulting in 93 and 244 employees leaving the Company. Working closely with the main union, we managed to halve the number of compulsory layoffs from 337 to 164 through various schemes for voluntary layoffs and moving staff around. It was important to KMD that we looked after the employees who left, and all 164 were offered advice and guidance on job seeking and any need for coaching.

PRIDE

KMD launched a special intranet site in 2013 to provide information on KMD's contributions to the community – both through our product offering and through specific CSR projects such as our provision of homework help online and our partnership with DaneAge[9]. Despite this, the proportion of employees who felt proud to work for KMD fell from 77% in 2012 to 64%[10].

The general level of employee satisfaction also decreased, from 84% to 77%. This was due to the big changes during the year, with layoffs and restructuring. KMD expects employee satisfaction to bounce back in 2014 following the implementation of processes to make employees' working day more structured.

DIVERSITY

KMD launched a policy in 2013 for the representation of women on the Board of Directors, including a target of 17% by the end of 2016.

In 2014, KMD will present a diversity policy addressing issues such as the representation of women in management. This diversity policy stems from an analysis of KMD's performance on classic diversity parameters. Our goal is for the most promising prospective employees in the Danish labor market to choose KMD regardless of gender, ethnicity, age, religion or sexual orientation.

HEALTHY EMPLOYEES

2013 brought work to make our health & safety organisation leaner and more operational. We also took action to help employees with particular ergonomic challenges by providing on-site physiotherapists who can be booked for advice and guidance on working postures. No fewer than 144 employees made use of this resource in 2013.

As an extension of this, KMD also has a health program that gives employees access to physiotherapy, chiropractic, reflexology and massage for occupational injuries. A total of 146 employees made use of this program in 2013.

Average sickness absence was 6.4 days in 2013, which is 4.4 % lower than the national average for private companies. However, this is slightly higher than in 2012 (6.01 days), and KMD aims to return to that level in 2014.

More than 400 employees took part in the KMD 4:18:4 and KMD IRONMAN triathlons in 2013, and training was organized at KMD's sites. In addition, more than 800 employees took part in the DHL 5x5 km relay race.

KMD considers the overall results of its CSR work in relation to employees to be satisfactory.

[9] See section on digital welfare.
[10] Employee satisfaction survey 2013.

GOALS FOR 2014

DIVERSITY

KMD will introduce a diversity policy and related initiatives.

HEALTHY EMPLOYEES

KMD will maintain focus on a healthy workplace based on its already successful sports clubs.
Special training programs for employees wanting to take part in the KMD 4:18:4 and KMD IRONMAN triathlons will continue across the business. KMD expects more than 500 employees to take part in one or more of these events.

KMD will also seek to maintain low levels of sickness absence and ensure that fewer than 1% of employees are on long-term sickness absence due to stress.

CLIMATE & ENVIRONMENT

RESULTS IN 2013

As one of Denmark's largest IT companies, KMD impacts on the environment by consuming large amounts of energy and hardware, and by having more than 3,000 employees and the country's largest printing center. We are very aware of this, and in 2013 we were certified under the international environmental management standard ISO 14001. Our structured approach to environmental work developed over many years had a positive effect on a wide range of parameters during the year. KMD's environmental policy focuses on energy consumption, transport and waste management, and progress was made in all three areas.

ENERGY CONSUMPTION

KMD's electricity consumption totaled 29,362,963 million kWh, down 8.5% on 2012. This was due partly to a smaller increase in the server park than expected, and partly to the results of constant energy-saving measures. We managed to find energy savings of 1,676,515 kWh in 2013, and since 2008 we have made savings of 8,608,213 kWh, equivalent to the annual consumption of more than 1,600 detached houses[11] or 28.1% of our total energy consumption in 2008.

The focus was on electricity consumption not only in production (data and printing centers) but also in our offices, with the emphasis on employees' day-to-day electricity consumption. Employees reduced their electricity consumption by 1.7% on average in 2013. In addition, our total consumption of heating fell by 802 MWh.

Thanks to the decrease in energy consumption, KMD's carbon emissions fell once again in 2013, continuing the trend from previous years. Emissions of CO_2 from direct energy consumption in 2013 totaled 10,864 tons, down 16.7% on 2012. Part of the decrease was due to a greener overall energy mix in Denmark, but the majority was due to KMD's energy savings. There was, however, a slight increase in carbon emissions from heating consumption due to an increase in the CO_2-equivalent for district heating of more than 75%. Since 2008, KMD has cut its carbon emissions by 38.9% from 17,796 to 10,864 tons.

As part of KMD's climate partnership with DONG Energy, our energy savings have been supplemented with purchases of power from offshore wind farms corresponding to KMD's total direct energy consumption, and with renewable energy certificates corresponding to KMD's total carbon emissions from heating. DONG Energy also identifies and verifies energy-saving projects at KMD.

[11] An average detached home with four inhabitants consumes 5,181 kWh per year. Source: DONG Energy.

TRANSPORT

KMD worked hard to reduce carbon emissions from transport between its sites in 2013. After only minimal reductions in previous years, we managed to cut emissions from transport between our sites by XX%. This was due largely to a sharper focus on employee habits, with better internal processes – including the introduction of improved technologies such as Microsoft Lync – reducing the need for physical meetings. However, the use of electric cars did not have the expected effect, as the supplier of these cars and the associated infrastructure filed for bankruptcy in June 2013, after which the cars could no longer be used.

All in all, KMD's carbon emissions from transportation fell by 18.4% from 2,922 tons in 2012 to 2,384 tons in 2013.

WASTE

Another focus area during the year was increasing the recycling rate and gaining a picture of the carbon emissions associated with the management of our waste as a first step in mapping our carbon footprint from cradle to grave.

KMD increased the proportion of waste recycled from 68.2% in 2012 to 72.2% in 2013 and is therefore very close to its target of a 5% increase in the recycling rate by 2015. This was due partly to a stronger focus on sorting at source in our office buildings, resulting in reduced wastage of recyclable materials[12].

Together with our waste management supplier, we have launched a project to build a picture of the total environmental impact from the collection and disposal of the waste we generate.

KMD considers the overall results of its environmental efforts to be satisfactory.

[12] The recycling rate excludes waste from the sites in Aalborg and Odense, which is measured by collection and not by weight. The bulk of KMD’s waste is generated at the site in Ballerup, Copenhagen, which is home to KMD’s printing center and the bulk of its employees.

GOALS FOR 2014

CARBON EMISSIONS

KMD will continue to focus on energy savings in both data centers and offices, but still anticipates a slight increase in energy consumption due to an ever larger customer base.

KMD will continue to focus on reducing employees' transport between sites. We expect to be able to reduce our carbon footprint from transport by 10% by the end of the year. Further action will be needed to achieve this, including the launch of a new intranet site promoting car pooling.

KMD will also continue to offer employees rail cards to reduce the cost of public transport.

WASTE

There will be continued focus on KMD's print consumption in office buildings. The breakthrough of follow-me printing will be followed up with campaigns directly targeting employees’ print consumption as well as sorting waste at source. KMD's target is still to increase the total proportion of waste recycled by 5% by the end of 2014.

ENVIRONMENTAL MANAGEMENT

KMD will continue work to assure the quality of environmental data so that we can continue the general improvement in our environmental performance seen over the past five years, and reassure our customers and partners of KMD's unwavering commitment to climate and environment issues.

SUPPLY CHAIN

RESULTS IN 2013

Signing the UN Global Compact has committed KMD to 10 fundamental principles relating to protection of human and labor rights, climate and environmental issues, and anticorruption measures. This provides KMD with a concrete framework for the requirements the Company makes of itself and its suppliers. At the same time, KMD wants to keep tight control of its own processes to ensure that the Company complies with relevant legislation and its commitments under the Global Compact, and makes requirements of its own suppliers that support these commitments.

PARTNERSHIPS

KMD implemented a new code of conduct for suppliers in 2013 based on the 10 principles of the UN Global Compact. The code will be presented to all KMD’s suppliers and must be signed when concluding contracts with KMD. The code is intended to send out a clear signal that breaches of the Global Compact principles will not be tolerated. It is also a starting point for dialogue, which we will use to achieve our overall goal for supply chain management, namely that all key suppliers adhere to the principles of the Global Compact by the end of 2015.

The procedures in the code of conduct were triggered for the first time in 2013, when the Danish NGO DanWatch raised questions in November about working conditions in a number of Chinese factories supplying four of our hardware suppliers. We requested additional information with reference to the code of conduct and, together with our suppliers, we discovered minor breaches on the production lines at two of the four factories. Our suppliers have all assured KMD that these issues have been resolved or will be resolved during the first half of 2014. KMD has informed the suppliers that we will require further information on the response to these problems by the end of that period.

KMD has also started working with its waste management supplier on mapping the environmental impact of the collection and disposal of the waste we generate.

CORPORATE COMPLIANCE

KMD stepped up its work on regulatory compliance in 2013, especially with UK and US anticorruption rules in light of KMD's new ownership. With assistance from KPMG, KMD produced a gap analysis and a risk analysis based on Transparency International's recommendations to optimize the prioritization of future compliance measures.

The vast majority of KMD's activities are in Denmark, which is a low-risk country, and in the IT segment, which is a low-risk sector. As KMD mainly does business with the public sector, however, which is a high-risk area, KPMG recommended that we strengthen the training of customer-facing employees in anticorruption. Besides a general introduction to compliance given to all new employees, KMD therefore developed and implemented an e-learning program on anticorruption for customer-facing staff in 2013. Completion of the program is compulsory, with a pass mark of 80%.

The introduction of a whistleblower program in 2012 has given all employees and members of both the Executive Board and the Board of Directors an alternative to the regular reporting pathways when reporting breaches of legislation and KMD's internal rules. The whistleblower program covers the seven key compliance areas at KMD: anticorruption, IT security, authorizations, competition law, intellectual property rights, contractual risk management and document management/storage. A total of five cases were reported and dealt through the program in 2013, compared with two in 2012.

KMD considers its work on CSR in the supply chain to be satisfactory.

GOALS FOR 2014

PARTNERSHIPS

KMD will conduct a review of its CSR policies, including the code of conduct for suppliers, based on the UN Global Compact's 10 principles.

KMD will also continue to work with suppliers to map our environmental footprint throughout the value chain.

CORPORATE COMPLIANCE

KMD will continue to implement the code of conduct for suppliers, including policies and processes for the environment, human rights and anticorruption.

KMD will also continue to implement an extended whistleblower program that includes external stakeholders

FINANCIAL STATEMENTS:

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million

Note		2013	2012
4	Revenue	4,670.5	4,698.7
5	Other external expenses	1,885.7	1,832.1
6	Staff costs	2,365.1	2,155.2
	Other operating income	20.5	19.8
	Earnings before interest, tax, depreciation and amortization (EBITDA)	**440.2**	**731.2**
8,9	Depreciation and amortization	363.7	139.3
	Operating profit (EBIT)	**76.5**	**591.9**
7	Financial income	8.0	18.4
7	Financial expenses	13.7	7.9
	Earnings before tax (EBT)	**70.8**	**602.4**
15	Tax on profit for the year	6.4	154.1
	Net profit for the year	**64.4**	**448.3**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million

Note		2013	2012
	Net profit for the year	**64.4**	**448.3**
	Other comprehensive income		
	Value adjustments of hedging transactions before tax	-1.3	1.6
	Value adjustments of hedging transactions included in financial items	0.6	0.0
	Foreign currency translation adjustment of foreign enterprises	0.2	0.3
	Tax on comprehensive income	0.2	-0.4
	Other comprehensive income after tax	-0.3	1.5
	Comprehensive income	**64.1**	**449.8**
	Attributable to:		
	Shareholders in the Parent Company	64.1	449.8
	Non-controlling interests	0.0	0.0
	Total	**64.1**	**449.8**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million

Note		2013	2012
	NON-CURRENT ASSETS		
	Customer relationships	40.5	43.8
	Rights	7.2	8.1
	Goodwill	179.5	138.5
	Completed development projects	406.3	32.8
	Development projects in progress	176.1	620.9
8	**Intangible assets**	**809.6**	**844.1**
	Land and buildings	86.6	95.1
	Leasehold improvements	39.7	40.1
	Plant and machinery	161.0	189.4
	Fixtures, operating equipment and vehicles	8.7	14.1
9	**Property, plant and equipment**	**296.0**	**338.7**
10	Deposits	44.7	43.8
15	Defrred tax asset	3.8	0.5
	Other non-current assets	**48.5**	**44.3**
	Total non-current assets	**1,154.1**	**1,227.1**
	CURRENT ASSETS		
11	Inventories	6.5	9.3
18	Trade receivables	711.6	942.2
	Receivables from Group enterprises	0.2	0.0
12	Contract work in progress	55.4	62.6
	Other receivables	23.0	26.7
	Corporation tax receivable	49.0	2.1
13	Prepayments	85.8	98.9
	Securities	1.0	1.5
	Cash	361.8	211.2
	Total current assets	**1,294.3**	**1,354.5**
	Total assets	**2,448.4**	**2,581.6**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK million

Note		2013	2012
	EQUITY		
14	Share capital	240.0	240.0
	Hedging reserve	-0.5	0.0
	Reserve for foreign currency translation adjustments	0.8	0.6
	Retained earnings	493.0	728.6
	Proposed dividend	0.0	0.0
	Total equity	**733.3**	**969.2**
	LIABILITIES		
15	Provision for deferred tax	58.2	91.4
16	Provisions	9.2	22.0
18	Credit institutions	140.4	0.0
	Other payables	35.8	0.0
	Non-current liabilities	**243.6**	**113.4**
18	Credit institutions	6.6	0.0
	Prepayments from customers	62.3	49.0
	Trade payables	474.3	519.4
	Payables to Group enterprises	29.2	122.4
17	Other payables	671.5	559.2
	Derivative financial instruments	0.6	0.0
	Corporation tax payable	4.6	5.3
16	Provisions	96.8	114.5
	Deferred income	125.6	129.2
	Current liabilities	**1,471.5**	**1,499.0**
	Total liabilities	**1,715.1**	**1,612.4**
	Total equity and liabilities	**2,448.4**	**2,581.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Hedging reserve	Reserve for foreign currency translation adjustments	Retained earnings	Proposed dividend	Total
Equity at 1 January 2012	240.0	-1.2	0.3	460.3	0.0	699.4
Comprehensive income for the year		1.2	0.3	448.3		449.8
Realized hedging transactions						0.0
Extraordinary dividend				-180.0	180.0	0.0
Interim dividend paid					-180.0	-180.0
Equity at 31 December 2012	**240.0**	**0.0**	**0.6**	**728.6**	**0.0**	**969.2**
Issue of warrants						
Comprehensive income for the year		-0.5	0.2	64.4		64.1
Extraordinary dividend				-300.0	300.0	0.0
Interim dividend paid					-300.0	-300.0
Balance at 31 December 2013	**240.0**	**-0.5**	**0.8**	**493.0**	**0.0**	**733.3**

The reserve for foreign currency translation adjustments relates to translation adjustment of profit and net assets for Group enterprises with a functional currency other than the presentation currency.

The dividend paid in 2013 was DKK 1.25 per share against DKK 0.75 per share in 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million

Note		2013	2012
	Earnings before interest, tax, depreciation and amortization (EBITDA)	440.2	731.2
19	Adjustments of non-cash items	-5.9	-6.4
20	Change in working capital	295.0	-81.6
	Corporation tax paid	-98.3	-121.3
	Financial income	1.8	18.4
	Financial expenses	-13.7	-4.8
	Total cash flow from operating activities	**619.1**	**535.5**
8	Investments in intangible assets	-157.5	-125.8
9	Investments in property, plant and equipment	-93.9	-85.7
	Sale of property, plant and equipment	39.3	0.0
	Sale of Group enterprises	5.6	0.0
21	Investment in enterprises	-52.0	0.0
	Sale of securities	0.5	0.7
	Total cash flow from investing activities	**-258.0**	**-210.8**
	Repayments of loans	-3.1	-154.7
	Raising of loans	150.0	0.0
	Other payables	35.8	0.0
	Repayments of loans, Group enterprises	-93.2	0.0
	Raising of loans, Group enterprises	0.0	105.6
	Dividend paid	-300.0	-180.0
	Total cash flow from financing activities	**-210.5**	**-229.1**
	Total cash flow	**150.6**	**95.6**
	Cash and cash equivalents at 1 January	211.2	115.6
	Cash and cash equivalents at 31 December	**361.8**	**211.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW

NOTE 01_ACCOUNTING POLICIES

The annual report for KMD A/S is presented in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU at 31 December 2013 and the additional Danish disclosure requirements contained in the IFRS Order issued by the Danish Business Authority.

BASIS OF PREPARATION

The accounting figures have been prepared using the historical cost convention, except where IFRS explicitly requires use of other values.

CONSOLIDATION

The consolidated financial statements cover the Parent Company KMD A/S and subsidiaries in which the Parent Company directly or indirectly owns more than 50% of the voting rights or otherwise has control.

The consolidated financial statements have been prepared by combining the financial statements of the Parent Company and the subsidiaries by adding together items of a uniform nature. The financial statements used in the consolidated financial statements are presented in accordance with the Group's accounting policies.

Intercompany income, expenditure, shareholdings, dividends and balances are eliminated, as are realized and unrealized internal gains and losses on transactions between the consolidated enterprises.

The subsidiaries' accounting items are recognized 100% in the consolidated financial statements.

Enterprises in which the Parent Company directly or indirectly owns between 20% and 50% of the voting rights or otherwise exercises significant influence are considered associates.

BUSINESS COMBINATIONS

Newly acquired or newly established subsidiaries are recognized from the time control is acquired over the acquired enterprise (acquisition date). The purchase method is applied to acquisition of subsidiaries.

The cost of acquisitions is calculated as the fair value of the acquired assets and liabilities and shares issued. The cost incorporates the fair value of any contingent considerations (earn-outs). Expenses in connection with the acquisition are charged to the income statement in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities (net assets) relating to the acquired enterprise are recognized at fair value on the acquisition date.

In connection with each acquisition, goodwill and non-controlling interests are recognized in accordance with one of the following methods:

_ Goodwill related to the acquired enterprise is made up of any positive difference between the total fair value of the acquired enterprise and the fair value of the total net assets for accounting purposes. Non-controlling interests are recognized at the share of the acquired enterprise's total fair value (full goodwill).

_ Goodwill related to the acquired enterprise is made up of any positive difference between the purchase price and the fair value of the Group's share of the acquired enterprise's total net assets for accounting purposes at the acquisition date. Non-controlling interests are recognized at the proportionate share of the acquired net assets (proportionate goodwill).

Goodwill is recognized under intangible assets. Goodwill is not amortized but is assessed on an annual basis, or where there are indications of a decrease in value, in order to determine whether it has been subject to a decrease in value. If this is the case, it is written down to the asset's lower recoverable value.

Enterprises that are sold or wound up are recognized until the date of disposal. Any gain or loss relative to the carrying amount at the disposal date is taken to income at the time of sale where control of the subsidiary is also being relinquished.

The difference between cost and carrying amount of acquired non-controlling interests is recognized in equity. Profit or loss on sale to non-controlling interests is also recognized in equity.

Comparative figures are not restated for enterprises that are newly acquired, sold or wound up.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Danish kroner (DKK).

Transactions in foreign currencies are translated during the year at the rate prevailing on the transaction date. Gains and losses that arise between the rate on the transaction date and the payment date are recognized in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled on the balance sheet date are translated at the rate prevailing on the balance sheet date. The difference between the rate on the balance sheet date and the transaction date is recognized in the income statement under financial items.

Balance sheets of foreign subsidiaries with a functional currency other than DKK are translated at the rate prevailing on the balance sheet date. The subsidiaries' income statements and statements of cash flow are translated at average rates approximately equivalent to the rate prevailing on the transaction date. Foreign currency translation adjustments that arise on translation of foreign subsidiaries' equity at 1 January and foreign currency translation adjustments that arise as a result of the income statement being translated at an average exchange rate and the balance sheet being translated at the rate prevailing on the balance sheet date are recognized in the statement of comprehensive income.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial contracts considered to satisfy the conditions for recognition as cash flow hedges are termed 'effective,' while hedging instruments not considered to satisfy these conditions are termed 'ineffective.'

Changes in the fair value of effective derivative financial contracts are recognized in comprehensive income and accumulated as a reserve in equity under Hedging reserve.

Changes in the fair value of ineffective derivative financial contracts are recognized directly in the income statement under financial items.

Derivative financial instruments are recognized in the balance sheet at fair value on the trade date and subsequently measured at fair value. Positive and negative fair values of derivative financial contracts are included under Other receivables and Derivative financial instruments respectively.

The fair value of derivative financial instruments is calculated using standard valuation methods for such contracts based on observable market data. The fair value of interest-rate hedging contracts is calculated as the present value of expected future cash flows.

For both effective and ineffective derivative financial contracts, the part of the fair value adjustment that can be attributed to time value is always recognized directly in the income statement.

All fair values are based on prices calculated at market value or using standard pricing models.

INCOME STATEMENT

REVENUE

Income from the sale of services is recognized when the service is provided.

Income from the disposal of goods for resale is included in revenue at the time of delivery and risk transfer where the income is considered reliable. Revenue is stated net of VAT, charges and discounts.

Income from consultancy services is taken to income as the work is performed, with the revenue corresponding to the selling price of the work performed for the year.

License and royalty income is recognized at the time of delivery.

OTHER EXTERNAL EXPENSES

Other external expenses include accounting items incurred to achieve the revenue for the year, including cost of sales in connection with the disposal of goods for resale, and other external expenses for distribution, sales, advertising, administration, premises, bad debts, operating lease payments, etc.

OTHER OPERATING INCOME AND EXPENSES

Gains and losses in connection with disposal of non-current assets are recognized under other operating income or other operating expenses.

STAFF COSTS

Staff costs cover wages, salaries and pensions to the Group's staff and other staff costs.

SHARE-BASED PAYMENT

Share options are measured at the fair value of the granted share options at the grant date minus any amount paid by the employees. If the fair value exceeds the amount paid by the employees, the excess amount is considered as payment for services received from employees. The excess amount is therefore recognized in the income statement under staff costs over the period in which the final entitlement to the options is earned. The set-off is recognized directly in equity in the case of equity-settled schemes.

FINANCIAL ITEMS

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items cover interest income and expenses, share dividends, financial expenses in connection with finance leases, realized and unrealized exchange gains and losses relating to securities and transactions in foreign currencies, amortization of exchange losses, and borrowing costs. Borrowing costs that can be attributed directly to purchase, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset that it necessarily takes a significant period to make ready for its intended use or sale.

TAX

Tax on the profit for the year comprises current tax and deferred tax for the year, the effect on deferred tax of changes in tax rates, and prior-year adjustments. The part of tax for the year that can be attributed to entries made directly in the statement of comprehensive income is recognized directly therein.

Current tax is calculated at the tax rate applicable for the year. Deferred tax is calculated on the basis of the tax rules and tax rates in the respective countries that will be applicable by law on the balance sheet date where the deferred tax is expected to give rise to current tax.

BALANCE SHEET

INTANGIBLE ASSETS

Goodwill is recognized at cost minus any accumulated impairment losses.

Goodwill is tested for impairment each year if there are indications of a decrease in value. The impairment test is carried out for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable value) where this is lower than the carrying amount.

Intangible assets also include acquired intellectual property rights and development projects that meet the criteria for capitalization.

Customer-related assets are measured at cost less accumulated amortization and impairment losses based on the expected consumption pattern for future economic benefits.

Development projects that are clearly defined and identifiable, where the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where the intention is to manufacture, market or use the product or process, are recognized as intangible assets where there is sufficient assurance that future earnings will cover the costs of production, sales and administrative expenses, and total development costs. Other development costs are recognized as expenses in the income statement as they are incurred.

Development costs are calculated as directly incurred expenses plus a proportion of other expenses that can indirectly be attributed to the individual development projects.

Amortization of intangible assets excl. goodwill is carried out on a straight-line basis over a period of up to 20 years based on experience of the period of use.

The useful life of the assets is assessed and adjusted if necessary on each balance sheet date. The main amortization periods are:

AMORTIZATION PERIOD

Acquired software rights	3-5 years
Development projects	5-15 years
Customer relationships	10-15 years
Other rights	3-20 years

Acquired intellectual property rights and completed development projects are tested for impairment where there are indications of a decrease in value. Development projects in progress are also subject to an annual impairment test.

The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the asset's or the asset group's value in use or net selling price (recoverable value) where this is lower than the carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes land and buildings, plant and machinery, and fixtures, operating equipment and vehicles. Property, plant and equipment is measured at cost plus any revaluations and minus any accumulated depreciation and impairment losses.

Property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the individual assets. The main depreciation periods are:

DEPRECIATION PERIOD

Land and buildings	50 years
Leasehold improvements	10-30 years
Major installations	10 years
Plant and machinery	2-5 years
Fixtures, operating equipment and vehicles	2-5 years

Assets held under finance leases are measured at the lower of the fair value pursuant to the lease and the present value of the lease payments, calculated on the basis of the internal interest on the lease minus any accumulated depreciation and impairment losses.

Property, plant and equipment is tested for impairment where there are indications of a decrease in value. The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the value in use and the net selling price (recoverable value) of the asset or group of assets where this is lower than the carrying amount.

INVESTMENTS

Equity investments in associates are measured using the equity method and recognized in the income statement at the proportionate share of the equity value in the enterprises calculated in accordance with the Group's accounting policies, plus goodwill.

In the balance sheet equity investments in associates are recognized at the proportionate share of the equity owned in the enterprises calculated in accordance with the Group's accounting policies, plus goodwill.

Associates with negative equity are measured at DKK 0, and any receivables from these enterprises are written down where an individual assessment shows this to be necessary. Where there is a legal or constructive obligation to cover the associate's negative value, a liability is recognized for this.

INVENTORIES

Inventories are recognized at cost calculated on the basis of average cost. Where the cost exceeds the expected selling price minus costs of completion and sale, inventories are written down to the lower net realizable value.

RECEIVABLES

Receivables and loans cover receivables that have arisen in connection with sales. Such receivables are classified as current with the exception of the part falling due more than 12 months from the balance sheet date. The amounts are included in the items Trade receivables and Other receivables.

Receivables are recognized in the balance sheet at fair value and subsequently measured at amortized cost. In the case of current non-interest-bearing receivables and receivables at variable rates of interest, this will usually correspond to nominal value.

On each balance sheet date the Company assesses whether there are circumstances indicating that significant individual receivables have been subject to a decrease in value. This is assessed on the basis of an age criterion and objective indications of financial problems on the part of debtors. If it is assessed that the receivable will not be paid in full, amortized cost is calculated on the basis of these expected lower payments. It is further assessed whether groups of receivables that are not significant receivables individually have been subject to a decrease in value. These receivables are then written down by group on the basis of the Group's past experiences.

CONSULTANCY SERVICES IN PROGRESS

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of the direct and indirect expenses incurred in relation to the expected total expenses.

The value of the individual items of work in progress minus invoicing on account is classified as receivables where the amounts are positive and as payables where the amounts are negative.

Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

PREPAYMENTS (ASSET)

Prepayments recognized under assets include prepaid expenses relating to subsequent financial years and are measured at amortized cost.

EQUITY

Dividends are recognized as a liability at the date of adoption by the general meeting.

PROVISIONS

Provisions are recognized where, as a result 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 an outflow of funds will be required to settle the liability.

CORPORATION TAX

Current tax liabilities are recognized in the balance sheet as tax calculated on the expected taxable income for the year, adjusted for tax on taxable income in previous years and taxes paid on account.

Provision for deferred tax is calculated at 25% on all temporary differences between carrying amount and tax base.

Deferred tax assets are recognized at the value that is expected to be utilized, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity and jurisdiction.

LEASE COMMITMENTS

Finance lease commitments are measured at the present value of the remaining lease payments, including any guaranteed residual value based on the internal rate of interest on the individual leases.

FINANCIAL LIABILITIES

Financial liabilities are recognized at the time of borrowing at the proceeds received minus transaction costs incurred, and subsequently measured at amortized cost calculated on the basis of the effective rate of interest on the borrowing date.

DEFERRED INCOME (LIABILITY)

Deferred income recognized under liabilities includes payments received relating to income in subsequent years and is measured at amortized cost.

STATEMENT OF CASH FLOWS

The statement of cash flows shows the enterprise’s cash flows for the year, change in cash and cash equivalents for the year, and the enterprise’s cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is shown using the indirect method and is calculated as the net profit for the year adjusted for non-cash operating items, change in working capital, financial items paid, and corporation tax paid.

Cash flow from investing activities includes payments in connection with purchase and sale of non-current assets, securities attributed to investing activities, and dividends received from subsidiaries and associates.

Cash flow from financing activities includes dividend payments to shareholders, capital increases and reductions, plus the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents includes cash at bank and in hand, and highly liquid securities with an insignificant risk of changes in value.

NOTE 02_SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

In preparing KMD's annual report, the Company's management makes a number of accounting assessments and estimates that form the basis for recognition and measurement of the Group's assets and liabilities. The most important accounting assessments and estimates are set out below. The Group's accounting policies are described in detail in Note 1 to the consolidated financial statements.

ACCOUNTING ASSESSMENTS

ACQUISITION OF ENTERPRISES

On acquisition of enterprises the Company's management assesses whether, for accounting purposes, it is acquiring an enterprise or individual assets and liabilities. The assessment is based on whether the acquired enterprise constitutes integrated activities or assets.

APPLICATION OF THE PERCENTAGE OF COMPLETION METHOD

The Company's management makes significant accounting assessments in connection with income recognition. If a project is customized to a high degree, revenue relating to projects in progress is recognized under the percentage of completion method, corresponding to the selling price of the work carried out based on the stage of completion. If a project does not qualify for recognition under the percentage of completion method, revenue is not recognized until risk is transferred to the purchaser. Delays, etc. can cause significant fluctuations in the timing of the Group's recognition of revenue and thus earnings relative to expectations.

ESTIMATION UNCERTAINTIES

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions on future events. The estimates made are based on historical experiences and other factors that the management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously as a result of changes in the circumstances that formed the basis of the previous estimates or on the basis of new knowledge or subsequent events.

IMPAIRMENT OF ASSETS

GOODWILL

In performing the annual impairment test, an estimate is made as to whether the individual units of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other necessary investments. The estimate of future net cash flows is based on budgets and business plans for the coming year and projections for subsequent years. Key parameters are revenue development, profit margin, investments in net working capital and growth expectations for the years ahead. Budgets and business plans for the coming year are based on concrete future business measures, with risks in the key parameters being assessed and recognized in the future expected cash flows. Projections beyond this first year are based on general expectations and risks. The discount rates used to calculate the recoverable value are before tax and reflect the risk-free interest plus specific risks in the individual business areas.

The cash flows used incorporate the effect of the future risks associated with this, which is why such risks are not incorporated in the discount rates used. See Note 8 for a description of the impairment test for intangible assets. The carrying amount of goodwill at 31 December 2013 is DKK 179.5 million (31 December 2012: DKK 138.5 million).

DEVELOPMENT COSTS

Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects. Completed development projects were written down for impairment by DKK 212.2 million in 2013 as a result of reassessment of future cash flows.

The carrying amount of completed development projects at 31 December 2013 is DKK 406.3 million (31 December 2012: DKK 32.8 million).

In the case of development projects in progress, an actual impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus interest rate and other risks.

For KMD the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values.

The carrying amount of development projects in progress at 31 December 2013 is DKK 176.1 million (31 December 2012: DKK 620.9 million).

CONSULTANCY SERVICES IN PROGRESS
Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of the direct and indirect expenses incurred in relation to the expected total expenses. Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

The carrying amount of consultancy services in progress at 31 December 2013 is DKK 55.4 million (31 December 2012: DKK 62.6 million).

PROPERTY, PLANT AND EQUIPMENT
Impairment testing of property, plant and equipment is carried out if events or circumstances indicate the assets have been impaired.

The value in use is determined using the same method as for impairment losses relating to goodwill. Calculation of the impairment loss is therefore associated with the same degree of uncertainty for property, plant and equipment as for goodwill.

The carrying amount of property, plant and equipment at 31 December 2013 is DKK 296.0 million (31 December 2012: DKK 338.7 million).

NOTE 03_NEW FINANCIAL REPORTING STANDARDS

CHANGE IN ACCOUNTING POLICIES, INCLUDING PRESENTATION AND IMPLEMENTATION OF ACCOUNTING STANDARDS

The accounting policies for the financial statements for the Group and the Parent Company are unchanged from last year.

MOST RECENTLY ADOPTED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

KMD has implemented the financial reporting standards, and amendments to these, and the interpretations that have been endorsed by the IASB and the EU and entered into force in the 2013 financial year. These are as follows:

_ Revised IAS 1 Presentation of Financial Statements

_ Amendment to IAS 19 Employee Benefits and IAS 36 Impairment of Assets

_ Revised IAS 32/IFRS 7 Financial Instruments: Presentation

_ IFRS 13 Fair Value Measurement

_ Annual minor improvements to current IFRSs.

NEW FINANCIAL REPORTING STANDARDS (IAS/IFRS) AND INTERPRETATIONS (IFRIC) ADOPTED – BUT NOT APPLICABLE TO THE FINANCIAL YEAR UNDER REVIEW

New standards and interpretations, or amendments to existing standards, that have not come into force at the date of publication of the present Annual Report have not been incorporated in the present financial statements.

At the end of January 2014 the IASB issued the following new financial reporting standards or amendments to existing standards and interpretations that are assessed to be relevant to KMD:

_ IFRS 9 Financial Instruments

_ IFRS 10 Consolidated Financial Statements

_ IFRS 11 Joint Arrangements

_ IFRS 12 Disclosure of Interests in Other Entities

_ Revised IAS 27 Consolidated and Separate Financial Statements

_ Revised IAS 28 Investments in Associates

_ Amendments to IFRS 10, 11 and 12, and IAS 27.

None of the above standards are currently expected to have a material impact on KMD, but this will be monitored on an ongoing basis until the implementation date.

The listed standards and interpretations have been endorsed by the EU, with the exception of IFRS 9.

NOTE 04_REVENUE

DKK million	2013	2012
Sale of goods	191.1	179.1
Sale of services	4,479.4	4,519.6
Total	**4,670.5**	**4,698.7**

NOTE 05_AUDIT FEE

DKK million	2013	2012
Fee to the Company’s auditors		
PricewaterhouseCoopers		
Statutory audit fee	0.8	0.8
Other assurance engagements	5.3	2.4
Tax advisory services	0.7	1.1
Other services	4.2	4.9
Total	**11.0**	**9.2**

NOTE 06_STAFF COSTS

DKK million	2013	2012
Wages and salaries	2,163.8	1,963.2
Pensions	185.0	176.5
Other social security costs	16.3	15.5
Total	**2,365.1**	**2,155.2**
Board of Directors		
Remuneration	0.2	0.4
Total	**0.2**	**0.4**
Executive Board		
Salaries, etc.	10.5	10.6
Pensions	0.2	0.2
Total	**10.7**	**10.8**
Average number of employees	3,199	3,342

An amount of DKK 293 million has been expensed in 2013 for salaries and compensation for employees who left the company as a result of structural adjustments.

SHARE-BASED PAYMENT –
SHARE OPTION PROGRAM

An investment program has been established for the Executive Board and a number of senior employees. Investment is by means of endorsing the purchase of B and C shares in AI Keyemde ApS made by three limited partnerships. The share purchase comprises 4.11% of the share capital in AI Keyemde ApS. At 31 December 2013 the limited partnerships have not offered all the acquired shares to those covered by the program.

The holders of the shares have only limited voting rights and are only entitled to sell the shares to third parties in connection with a stock exchange listing or the sale of AI Keyemde ApS (exit event). If an employee covered by the program leaves his or her position before an exit event has occurred, the person is obliged to sell his or her shares at a price based on a predetermined formula.

The investment of the Executive Board and senior employees in AI Keyemde ApS is specified in the table below.

SHARES	**B shares**	**C shares**
At 1 January 2013	**837,537**	**4,510**
Granted during the year	72,258	256
Terminations	38,593	128
Exercised	0	0
Expired	0	0
Outstanding at 31 December 2013	**871,202**	**4,638**

NOTE 07_FINANCIAL INCOME/EXPENSES

2012

DKK million	Interest	Foreign currency translation adjustments	Fair value adjustments	Total
Income				
Loans and receivables	18.4			18.4
Financial liabilities measured at amortized cost	0.0			0.0
Total	**18.4**	**0.0**	**0.0**	**18.4**
Expenses				
Loans and receivables	4.8			4.8
Financial liabilities measured at amortized cost	3.1			3.1
Total	**7.9**	**0.0**	**0.0**	**7.9**

2013

DKK million	Interest	Foreign currency translation adjustments	Fair value adjustments	Total
Income				
Loans and receivables	8.0			8.0
Financial liabilities measured at amortized cost	0.0			0.0
Total	**8.0**	**0.0**	**0.0**	**8.0**
Expenses				
Loans and receivables	13.7			13.7
Financial liabilities measured at amortized cost	0			0.0
Total	**13.7**	**0.0**	**0.0**	**13.7**

NOTE 08_INTANGIBLE ASSETS

2012

DKK million	Customer relation-ships	Rights	Goodwill	Develop-ment projects in progress	Completed develop-ment projects	Total
Cost at 1 January	58.5	46.8	124.9	499.7	54.2	784.1
Acquisitions			13.6			13.6
Additions during the year		0.6		121.2	4.0	125.8
Disposals during the year		-3.1			-1.3	-4.4
Cost at 31 December	58.5	44.3	138.5	620.9	56.9	919.1
Amortization and impairment losses at 1 January	3.7	34.1	0.0	0.0	16.2	54.0
Acquisitions	11.0	4.8			9.2	25.0
Amortization for the year	0.0	-2.7			-1.3	-4.0
Amortization and impairment losses at 31 December	14.7	36.2	0.0	0.0	24.1	75.0
Carrying amount at 31 December	**43.8**	**8.1**	**138.5**	**620.9**	**32.8**	**844.1**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	2.4	0.2	2.6

2013

DKK million	Customer relation-ships	Rights	Goodwill	Develop-ment projects in progress	Completed develop-ment projects	Total
Cost at 1 January	58.5	44.3	138.5	620.9	56.9	919.1
Acquisitions	8.1		41.0		48.2	97.3
Additions during the year		3.5		123.9	36.3	163.7
Disposals during the year	0.0	-2.2		-1.4	0.0	-3.6
Transfers				-567.3	567.3	0.0
Cost at 31 December	66.6	45.6	179.5	176.1	708.7	1,176.5
Amortization and impairment losses at 1 January	14.7	36.2	0.0	0.0	24.1	75.0
Acquisitions					29.4	29.4
Impairment losses					212.2	212.2
Amortization for the year	11.4	4.4			36.7	52.5
Disposals		-2.2				-2.2
Amortization and impairment losses at 31 December	26.1	38.4	0.0	0.0	302.4	366.9
Carrying amount at 31 December	**40.5**	**7.2**	**179.5**	**176.1**	**406.3**	**809.6**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	7.0	1.4	8.4

The carrying amount of goodwill in 2013 was DKK 179.5 million against DKK 138.5 million in 2012. The key part of goodwill has arisen in connection with the acquisition of KMD Informatik A/S (previously Rambøll Informatik A/S) in 2011 and relates to the business areas Health Care, Projects and KMD Education.

The carrying amount of intangible assets excluding goodwill was DKK 630.1 million in 2013 against DKK 705.6 million in 2012 and relates primarily to software development.

Capitalized interest was DKK 8.4 million against DKK 2.6 million in 2012.

IMPAIRMENT TEST FOR GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill and other intangible assets is impairment-tested annually.

The impairment test for cash-generating units compares the recoverable value, calculated as the discounted value of expected future cash flows, with the carrying amount of the individual cash-generating units.
For all areas, the key parameters in the impairment test are revenue, EBITDA, funds tied up in working capital, growth assumptions and the discount rate.

Budgets and business plans for the next four years are based on KMD’s known and expected events and risks in the key parameters, and are recognized in future expected cash flows.

The first year is based on the budget approved by management. Projections for years two and thereafter are based on general expectations of the market and risks.

For intangible assets with an indefinite useful life, the terminal value is determined taking into account general growth expectations. The growth in the terminal period is set at 2% p.a.

The discount rate of 9.8% applied in calculating the recoverable value in both 2013 and 2012 is calculated before tax and reflects the risk-free interest in the selected segments. The cash flows used incorporate the effect of future risks linked to this, which is why such risks are not added to the discount rates used.

The value in use is impacted mainly by changes in profit margin and discount rate.

DEVELOPMENT PROJECTS

At 31 December 2013 the management performed an impairment test on the carrying amount of development projects.

Recognized development projects in progress and completed development projects cover development of a new and improved SAP platform.

The projects are expected to provide competitive advantages and thereby a strengthening of the Group's market position. The value of the recognized development projects is compared with expected earnings from the products. A write-down of DKK 212.2 million has been made in 2013 further to a change in the market situation and consequent reassessment of future cash flows related to finished development projects.

The Company does not have any research costs. Development costs charged to the income statement in 2013 are DKK 117 million against DKK 161 million in 2012.

GOODWILL

At 31 December 2013 the management performed an impairment test on the carrying amount of goodwill.

Goodwill in KMD relates to the following cash-generating units:

DKK million	**2013**	**2012**
Unemployment funds and organizations	11.3	11.3
Health Care	44.0	44.0
KMD Education	47.5	47.5
Projects	21.1	21.1
KMD Printcenter	10.2	10.2
Civitas/Energi	4.4	4.4
Medialogic	28.2	0.0
Axapoint	12.8	0.0
Total	**179.5**	**138.5**

The impairment test was carried out in the fourth quarter of the 2013 financial year on the basis of the budgets and business plans approved by the Executive Board and Board of Directors and other information.

The tests carried out in 2013 and 2012 did not indicate any impairment.

The management does not consider that likely changes in the underlying assumptions would result in the carrying amounts exceeding the recoverable value. The value is mainly affected by changes in profit margin and discount rate.

NOTE 09_PROPERTY, PLANT AND EQUIPMENT

2012

DKK million	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.9	45.2	559.8	148.5	897.4
Acquisitions			1.3		1.3
Additions during the year		4.7	76.6	4.4	85.7
Disposals during the year		-2.3	-10.5	-3.3	-16.1
Cost at 31 December	143.9	47.6	627.2	149.6	968.3
Depreciation at 1 January	40.7	3.9	347.8	126.8	519.2
Depreciation for the year	8.1	3.6	90.7	11.9	114.3
Depreciation eliminated on disposals				-3.2	-3.2
Transfers			-0.7		-0.7
Depreciation at 31 December	48.8	7.5	437.8	135.5	629.6
Carrying amount at 31 December	**95.1**	**40.1**	**189.4**	**14.1**	**338.7**

2013

DKK million	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.9	47.6	627.2	149.6	968.3
Acquisitions			0.0	2.0	2.0
Additions during the year		3.5	88.5	1.9	93.9
Disposals during the year	-0.7		-196.9	-0.3	-197.9
Cost at 31 December	143.2	51.1	518.8	153.2	866.3
Depreciation at 1 January	48.8	7.5	437.8	135.5	629.6
Acquisitions				1.6	1.6
Depreciation for the year	8.0	3.9	79.4	7.7	99.0
Depreciation eliminated on disposals	-0.2		-159.4	-0.3	-159.9
Depreciation at 31 December	56.6	11.4	357.8	144.5	570.3
Carrying amount at 31 December	**86.6**	**39.7**	**161.0**	**8.7**	**296.0**

NOTE 10_DEPOSITS

DKK million	2013	2012
Cost at 1 January	43.8	44.6
Additions during the year	1.0	1.1
Disposals during the year	-0.1	-1.9
Cost at 31 December	44.7	43.8
Carrying amount at 31 December	**44.7**	**43.8**

NOTE 11_INVENTORIES

DKK million	2013	2012
Hardware and software for resale	3.6	3.8
Raw materials and consumables	2.9	5.5
Carrying amount at 31 December	**6.5**	**9.3**

Cost of goods sold charged to the income statement under other external expenses was DKK 455 million in 2013 against DKK 458 million in 2012.

Inventories expected to be sold after more than one year were DKK 0 million at 31 December 2013 against DKK 0.7 million in 2012.

Write-downs on inventories for the year were DKK 2.2 million in 2013 against DKK 0.7 million in 2012.

No write-downs were reversed in 2013 or 2012.

NOTE 12_CONTRACT WORK IN PROGRESS

DKK million	2013	2012
Work in progress at selling price	302.3	326.2
Work in progress invoiced on account	-246.9	-263.6
Work in progress, net	**55.4**	**62.6**
Recognized as follows:		
Work in progress (assets)	55.4	62.6
Work in progress (liabilities)	0.0	0.0
Revenue recognized via work in progress	239.7	388.8

Write-downs on work in progress were DKK 14 million against DKK 28 million in 2012.

NOTE 13_PREPAYMENTS

DKK million	2013	2012
Prepaid salaries	36.4	38.0
Other prepayments	49.4	60.9
Carrying amount at 31 December	**85.8**	**98.9**

Other prepayments mainly include prepayments relating to accrual of third-party software/maintenance subscriptions.

NOTE 14_SHARE CAPITAL

DKK million	2013	2012
The Parent Company's capital is made up as follows:		
One share class with 240,000 A shares of DKK 1,000	240.0	240.0
Total	**240.0**	**240.0**

The share capital has been unchanged at DKK 240.0 million for the last five financial years. The Company's shares are registered by name and are not negotiable papers.

NOTE 15_TAX ON PROFIT FOR THE YEAR

DKK million	2013	2012
Current tax	47.0	114.2
Change in deferred tax	-40.8	39.9
	6.2	154.1
Prior year adjustment	-0.2	0.4
Total	**6.0**	**154.5**
Made up as follows:		
Tax on profit for the year	6.4	154.1
Tax relating to other comprehensive income	-0.2	0.4
Total	**6.2**	**154.5**
Reconciliation of effective tax rate for the year		
Corporation tax rate in Denmark (%)	25.0	25.0
Other non-taxable income and non-deductible expenses	3.5	0.8
Adjustment of depreciation and amortization base as a result of tax correction		
Increased depreciation and amortization for tax purposes		
Adjustment to deferred tax as a result of change in tax rates		
Prior year adjustment	0.0	0.1
Effective tax rate for the year (%)	8.8	25.6

DEVELOPMENT IN DEFERRED TAX CAN BE SPECIFIED AS FOLLOWS:

DKK million	2013	2012
Balance at 1 January	**91.4**	**61.0**
Adjustment of deferred tax, 1 January	-1.8	-8.2
Adjustment of deferred tax in connection with acquisitions	6.1	0.0
Adjustment of tax assets	3.3	-1.3
Adjustment for the year	-40.8	39.9
Balance at 31 December	**58.2**	**91.4**
Deferred tax is made up as follows:		
Intangible assets	140.1	175.4
Property, plant and equipment	-51.1	-51.5
Other liabilities	-11.2	-5.5
Non-current portion	**77.8**	**118.4**
Current assets	2.6	9.7
Other liabilities	-22.2	-36.7
Current portion	**-19.6**	**-27.0**
Carrying amount at 31 December	**58.2**	**91.4**

NOTE 16_PROVISIONS

DKK million	2013	2012
Provisions at 1 January	136.5	151.4
Additions during the year	89.1	87.3
Used during the year	-119.6	-102.2
Reversed during the year	0.0	0.0
Carrying amount at 31 December	**106.0**	**136.5**

Provisions mainly relate to expected expenses in connection with customer projects.

There is some uncertainty regarding the size of the actual amounts and the time they fall due. In the case of onerous contracts, the lack of certainty relates primarily to the number of hours that will be used to fulfill contracts, including fulfillment of service targets and interpretation of framework agreements, etc.

NOTE 17_OTHER CURRENT PAYABLES

DKK million	2013	2012
Holiday pay obligations	320.9	326.8
Other staff-related items	298.1	121.7
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	52.5	110.7
Other payables	0.0	0
Balance at 31 December	**671.5**	**559.2**

NOTE 18_FINANCIAL INSTRUMENTS, ETC.

THE GROUP'S RISK MANAGEMENT POLICY

The Group is not particularly exposed to financial risks as a result of its operations, investments and financing. The Group's revenue essentially comes from the local government market, which is less subject to cyclical impacts than the private market.

The Group's policy is not to speculate in financial risks. The Group follows a board-approved finance policy that operates with a low risk profile, such that interest rate and credit risks primarily arise from commercial matters.

CREDIT RISK

The Group is exposed to credit risks on receivables and bank deposits. The maximum credit risk is equivalent to the carrying amount. The credit risk on receivables is considered minimal as a result of KMD's customer segment.

The Group strives to spread bank deposits across several different banks with high credit ratings.

Outstanding receivables are followed up centrally on an ongoing basis in accordance with the Company's credit procedures. Credit ratings are carried out for major new customers outside the public sector.

Where there is uncertainty as to a customer's ability or willingness to pay a receivable, and the claim is judged to be risky, the receivable is written down.

TRADE RECEIVABLES

DKK million	2013	2012
Trade receivables	712.0	943.8
Write-downs	-0.4	-1.6
Trade receivables, net	711.6	942.2
Receivables from Group enterprises	0.0	0.0
Total	**711.6**	**942.2**
Receivables past due that have been impaired	1.6	1.6
Receivables past due that have not been impaired can be specified as follows:		
Receivables past due, less than 6 months	42.8	58.1
Receivables past due, between 6 and 12 months	4.2	0.9
Receivables past due, more than 12 months	2.3	12.1
Total	**50.9**	**71.1**

NON-CURRENT RECEIVABLES

DKK million	2013	2012
Receivables due after 12 months	2.4	0.5

LIQUIDITY RISK
The required liquidity in the Group's entities is ensured on the basis of the Company's credit facilities and the liquidity generated by operations. The Group's liquidity management is the responsibility of the finance function, and entities in the Group are guaranteed access to liquidity via internal loans.

The maturity analysis is shown by category and class broken down by maturity period. Calculation of interest payments on liabilities at variable rates of interest is based on the rate prevailing on the balance sheet date.

The Group's loans are subject to specific covenants and can therefore only be canceled early on the lender's part in the event of breach of the covenants specified in the loan agreements.

Cash outflows are expected to be covered by the current excess liquidity and unutilized credits.

The calculation of fair value of hedging instruments is based on observable assumptions such as forward interest rates, etc. (Level 2 in the fair value hierarchy).

2012

DKK million	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carrying amount	Fair value
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap	0.0					0.0	0.0	0.0
Measured at amortized cost:								
Borrowings	0.0					0.0	0.0	0.0
Prepayments from customers	49.0					49.0	49.0	49.0
Payables to Group enterprises	0.0				122.4	122.4	122.4	122.4
Trade payables	516.9					516.9	516.9	516.9
Other current liabilities	653.1					653.1	653.1	653.1
Financial liabilities	**1,219.0**	**0.0**	**0.0**	**0.0**	**122.4**	**1,341.4**	**1,341.4**	**1,341.4**
Measured at fair value via the income statement and hedging instruments:						0.0		
Interest rate swap						0.0	0.0	0.0
Loans and receivables:						0.0		
Deposits					43.8	43.8	43.8	43.8
Trade receivables	942.2					942.2	942.2	942.2
Contract work in progress	62.6					62.6	62.6	62.6
Other receivables – current	26.7					26.7	26.7	26.7
Securities	0.1	0.1	0.1	1.6		1.9	1.4	1.4
Cash and cash equivalents	211.2					211.2	211.2	211.2
Financial assets	**1,242.8**	**0.1**	**0.1**	**1.6**	**43.8**	**1,288.4**	**1,287.9**	**1,287.9**
Net cash outflow	**-23.8**	**-0.1**	**-0.1**	**-1.6**	**78.6**	**53.0**	**53.5**	**53.5**

Unutilized credits were DKK 250 million.

2013

DKK million	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carrying amount	Fair value
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap	0.5	0.5				1.0	0.6	0.6
Measured at amortized cost:								
Borrowings	13.4	32.5	38.9	101.9		186.7	147.0	147.0
Prepayments from customers	62.3					62.3	62.3	62.3
Payables to Group enterprises					29.2	29.2	29.2	29.2
Trade payables	474.3					474.3	474.3	474.3
Other current liabilities	671.5					671.5	671.5	671.5
Financial liabilities	**1,222.0**	**33.0**	**38.9**	**101.9**	**29.2**	**1,425.0**	**1,384.9**	**1,384.9**
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap						0.0	0.0	0.0
Loans and receivables:								
Deposits					44.7	44.7	44.7	44.7
Trade receivables	709.2	2.4				711.6	711.6	711.6
Contract work in progress	55.4					55.4	55.4	55.4
Other receivables – current	23.0					23.0	23.0	23.0
Securities	0.0			1.0		1.0	1.0	1.0
Cash and cash equivalents	361.8					361.8	361.8	361.8
Financial assets	**1,149.4**	**2.4**	**0.0**	**1.0**	**44.7**	**1,197.5**	**1,197.5**	**1,197.5**
Net cash outflow	**72.6**	**30.6**	**38.9**	**100.9**	**-15.5**	**227.5**	**187.4**	**187.4**

Unutilized credits were DKK 250 million.

MARKET RISK
The Group's loans on the balance sheet date are exclusively to Group enterprises and are at variable rates of interest. The Group does not hedge loans to Group enterprises. The interest rate risk is, however, limited as a result of the Group's low financial gearing, which is why an increase of 1% in the market rate is solely estimated to have an earnings impact before tax of DKK -0.5 million and to impact equity by DKK -0.3 million. The corresponding figures for 2012 were DKK -1.2 million and DKK -0.9 million respectively.

CURRENCY
The Group's currency policy is to allow subsidiaries to operate in their own currency wherever possible and for contracts with foreign suppliers primarily to be entered into in the Group enterprises' local currency or the euro.

In total, 99.2% of the Group's revenue in 2013 was earned in DKK, which is the same as 2012.

The Group's foreign enterprises are as such not significantly affected by currency fluctuations, as both income and expenses are denominated in local currencies.

CAPITAL MANAGEMENT
The Company's capital management is partly governed by the loan agreements entered into in the Group, which contain specifications for financial ratios.

The Group's gearing, defined as the relationship between net interest-bearing debt and EBITDA, is monitored on a monthly basis as part of managing the Group's capital structure. At year-end 2013 the maximum gearing was not permitted to exceed 4.7. At 31 December 2013 it was 3.3.

NOTE 19_ADJUSTMENT OF NON-CASH ITEMS

DKK million	**2013**	**2012**
Gain on disposal of non-current assets	-5.3	-1.9
Other adjustments	-0.6	-4.5
Total adjustments	**-5.9**	**-6.4**

NOTE 20_CHANGES IN WORKING CAPITAL

DKK million	**2013**	**2012**
Change in inventories	2.8	-0.8
Change in receivables	236.5	-227.3
Change in contract work in progress	8.1	4.9
Change in trade payables	-46.1	106.4
Change in other items, net	93.7	35.2
Total change in working capital	**295**	**-81.6**

NOTE 21_INVESTMENTS IN ENTERPRISES

2013
In 2013 KMD acquired all the shares in Medialogic A/S and Axapoint ApS.

At the end of 2013 KMD carried out a preliminary assessment of allocation of the purchase price to the assets and liabilities acquired in connection with the acquisition of Medialogic A/S and Axapoint APS.

The figures for assets and liabilities on the acquisition dates represent the preliminary allocation recognized in 2013.

FAIR VALUE AT ACQUISITION DATE

DKK million	Medialogic A/S	Axapoint APS	Total
Property, plant and equipment	15.6	11.8	27.4
Inventories and receivables	7.4	3.2	10.6
Deferred liabilities, net	-3.3	-2.7	-6.0
Non-current payables	0.0	0.0	0.0
Current payables	-17.6	-1.5	-19.1
Corporation tax payable, net	-1.3	-0.5	-1.8
Acquired net assets	**0.8**	**10.3**	**11.1**
Goodwill	28.2	12.7	40.9
Acquisition cost	**29.0**	**23.0**	**52.0**
Cash and cash equivalents in acquired subsidiary	14.3	0.6	14.9
Net cash flow arising from acquisition	**43.3**	**23.6**	**66.9**

MEDIALOGIC A/S
The activities in Medialogic A/S were acquired on 14 August 2013 and recognized in the financial statements from this date. Medialogic A/S primarily develops software for the labor market.

If the enterprise had been owned for the entire reporting period, recognized revenue and net profit would have been DKK 49.0 million and DKK 5.4 million respectively.

Revenue relating to Medialogic A/S has been recognized in the income statement and statement of comprehensive income since the acquisition, and amounted to DKK 20.6 million in 2013.

Goodwill mainly comprises intangible assets in the form of know-how and existing staff. The calculated goodwill is not amortizable for tax purposes.

Transaction costs of DKK 0.5 million have been recognized in other external expenses.

AXAPOINT APS
Axapoint ApS was acquired at the end of December 2013 and recognized from 31 December 2013. There was as such no earnings impact from this acquisition in 2013. Axapoint ApS primarily delivers architectural frameworks for Danish local-government payment systems.

If the enterprise had been owned for the entire reporting period, recognized EBITDA and net profit would have been DKK 2.7 million and DKK 1.5 million respectively.

Goodwill represents the value of existing staff and know-how. The calculated goodwill is not amortizable for tax purposes.

Transaction costs of DKK 0.1 million have been recognized in other external expenses.

2012
There were no investments in 2012, but it should be noted that Organisator A/S was merged with the Parent Company on 1 January 2012.

NOTE 22_CONTINGENT ASSETS AND LIABILITIES

The Group has entered into leases and operating leases that are non-cancelable on the part of the Group beyond 1 year. The value of the total rental and lease commitments is as follows:

RENTAL COMMITMENTS

DKK million	2013	2012
Rental commitments due within 1 year	107.4	108.2
Rental commitments due within 2 to 5 years	407.6	407.7
Rental commitments due after 5 years	652.4	754.6
Total	**1,167.4**	**1,270.5**

Lease commitments relate primarily to the Group’s owner-occupied properties where contracts have been entered into that are non-cancelable until 1 January 2024.

LEASE COMMITMENTS

DKK million	2013	2012
Lease commitments due within 1 year	227.7	228.0
Lease commitments due within 2 to 5 years	443.2	563.8
Lease commitments due after 5 years	212.5	209.4
Total	**883.4**	**1,001.2**

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

OTHER LIABILITIES AND CONTINGENT LIABILITIES

The Group has particular obligations to employees employed on equivalent terms to public servants. The obligation relates to tideover allowances and compensation for temporary unemployment, etc. totaling DKK 3.0 million at 31 December 2013 if the employees in question were given notice on the balance sheet date.

The Group is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, the management does not consider that they will have a material impact on the Company’s results or financial position.

The senior loan agreement is a loan facility comprising two loan facilities and a revolving credit facility.
On 31 December 2013 KMD A/S's nominal debt in relation to the loan agreement was DKK 3,355 million.

The shares in KMD A/S and its subsidiaries have been pledged as security for the senior loan agreement.

KMD has entered into an agreement with KL (Local Government Denmark) concerning adjustment of price development and service level in certain IT systems critical in relation to local governments’ administration of legislation in the welfare area.

NOTE 23_RELATED PARTIES

The Company's related parties are:	Domicile	Relationship	Ownership interest
AI Keyemde & Cy SCA	Luxembourg	Shareholder in AI Keyemde ApS	95.89%
AI Keyemde B K/S	Ballerup	Shareholder in AI Keyemde ApS	3.85%
AI Keyemde B2 K/S	Ballerup	Shareholder in AI Keyemde ApS	0.24%
AI Keyemde C K/S	Ballerup	Shareholder in AI Keyemde ApS	0.02%
AI Keyemde ApS	Ballerup	Shareholder in AI Keyemde 2 ApS	100.0%
AI Keyemde 2 ApS	Ballerup	Shareholder in AI Keyemde 3 ApS	100.0%
AI Keyemde 3 ApS	Ballerup	Shareholder in KMD Holding A/S	100.0%
KMD Holding A/S	Ballerup	Shareholder in KMD A/S	100.0%
KMD International A/S	Ballerup	Subsidiary of KMD A/S	100.0%
KMD Sverige AB	Stockholm	Subsidiary of KMD A/S	100.0%
KMD BPO A/S	Ballerup	Subsidiary of KMD A/S	100.0%
KMD Sverige Handelsbolag	Stockholm	Joint trading arrangement with KMD Sverige AB	50.0%
Medialogic A/S	Odense	Subsidiary of KMD A/S	100.0%
Axapoint ApS	Skanderborg	Subsidiary of KMD A/S	100.0%

AI Keyemde & Cy SCA holds 95.89% of the shares in AI Keyemde ApS. The ultimate owner of AI Keyemde & Cy SCA is funds managed by Advent International Corporation. The funds ultimately controlling more than 25% of the shares in AI Keyemde & Cy SCA, are Advent International GPE VII-B Limited Partnership (29%) and Advent International GPE VII-E Limited Partnership (20%). No other Advent fund holds or controls more than 15% of the shares.

More information about Advent International can be found at www.adventinternational.com.

AI Keyemde ApS is part of the Financial Statements of AI Keyemde & Cy SCA as a subsidiary. The parent company can be contacted at the address of the Company, 2-4, rue Beck, L-1222 Luxembourg, Grand Duchy of Luxemburg.

KMD A/S is fully owned by KMD Holding A/S and is part of the Consolidated Financial Statements of AI Keyemde ApS. A copy of the Consolidated Financial Statements can be obtained through the Company Secretary at Lautrupparken 40, 2750 Ballerup, Denmark.

RELATED PARTY TRANSACTIONS

The Group's related parties comprise the companies' boards of directors, executive boards and senior employees, and family members of these persons.

Related parties also comprise companies in which the specified group of people have significant influence.

Remuneration and shareholdings of the Board of Directors and Executive Board are described in Note 6. There have not been any other transactions with the Board of Directors, Executive Board or other related parties during the year.

NOTE 24_EVENTS AFTER THE BALANCE SHEET DATE

No other events have occurred since the balance sheet date that have a material impact on the Company's financial position at 31 December 2013.

EXPLANATION OF FINANCIAL RATIOS

The financial ratios have been prepared in accordance with *Recommendations and Key Ratios 2010*, issued by the Danish Society of Financial Analysts.

The financial ratios cited in the Financial highlights have been calculated as follows:

Profit margin (EBIT margin)	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization (EBITDA)}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on equity (ROE)	$\frac{\text{Net profit for the year}}{\text{Average equity}}$
Interest-bearing debt	Debt to credit institutions + deposits + bonds + subordinated debt
Adjusted EBITDA	EBITDA in accordance with the consolidated financial statements adjusted for share of the accounting items Other operating income and expenses (gains and losses on sale of non-current assets plus profit on sale of companies) and Restructuring costs of a one-off nature

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

DKK million

Note		2013	2012
2	**Revenue**	4,500.0	4,551.5
	Other external costs	1,882.7	1,843.2
3	Staff costs	2,199.7	2,009.9
	Other operating income	16.7	19.8
	Earnings before tax, interest, depreciation and amortization (EBITDA)	**434.3**	**718.2**
7,8	Depreciation and amortization	371.1	148.3
	Operating profit (EBIT)	**63.2**	**569.9**
	Income from equity investments in Group enterprises	1.6	0.0
4	Financial income	7.9	18.5
5	Financial expenses	13.7	8.3
	Earnings before tax (EBT)	**59.0**	**580.1**
6	Tax on profit for the year	5.9	150.4
	Net profit for the year	**53.1**	**429.7**
	Allocated as follows:		
	Dividend	0.0	0.0
	Retained earnings	53.1	429.7

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million

Note		2013	2012
	NON-CURRENT ASSETS		
	Customer relationships	32.9	43.9
	Rights	7.2	8.0
	Goodwill	113.9	124.1
	Completed development projects	387.9	32.8
	Development projects in progress	181.9	626.7
7	**Intangible assets**	**723.8**	**835.5**
	Land and buildings	86.6	95.1
	Leasehold improvements	39.7	40.1
	Plant and machinery	160.8	189.4
	Fixtures, operating equipment and vehicles	8.3	13.8
8	**Property, plant and equipment**	**295.4**	**338.4**
9	Equity investments in subsidiaries	90.8	23.2
	Deposits	44.6	43.8
	Other non-current assets	**135.4**	**67.0**
	Total non-current assets	**1,154.6**	**1,240.9**
	CURRENT ASSETS		
	Inventories	6.5	9.3
10	Trade receivables	676.3	907.7
	Receivables from Group enterprises	8.1	5.2
11	Contract work in progress	56.8	60.7
	Other receivables	22.6	25.1
	Corporation tax receivable	49.0	2.1
12	Prepayments	82.6	96.3
	Cash	313.1	188.6
	Total current assets	**1,215.0**	**1,295.0**
	Total assets	**2,369.6**	**2,535.9**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK million

Note		2013	2012
	EQUITY		
13	Share capital	240.0	240.0
	Hedging reserve	-0.5	0.0
	Retained earnings	465.1	712.0
	Proposed dividend	0.0	0.0
	Total equity	**704.6**	**952.0**
	LIABILITIES		
6	Provision for deferred tax	52.6	91.4
14	Provisions	9.2	22.0
	Other payables	35.8	0.0
	Credit institutions	140.4	0.0
15	**Non-current liabilities**	**238.0**	**113.4**
	Credit institutions	6.6	0.0
	Prepayments from customers	62.3	49.0
	Trade payables	469.6	516.1
	Payables to Group enterprises	34.2	130.9
16	Other payables	637.4	531.4
	Derivative financial instruments	0.6	0.0
	Corporation tax payable	0.0	2.4
14	Provisions	95.7	114.5
	Deferred income	120.6	126.2
	Current liabilities	**1,427.0**	**1,470.5**
	Total liabilities	**1,665.0**	**1,583.9**
	Total equity and liabilities	**2,369.6**	**2,535.9**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 31 December 2012	240.0	0.0	712.0	0.0	952.0
Value adjustment of hedging transactions before tax		-0.7			-0.7
Tax effect of hedging transactions		0.2			0.2
Provision for interim dividend			-300.0	300.0	0.0
Interim dividend paid				-300.0	-300.0
Net profit for the year			53.1		53.1
Proposed dividend to shareholders					0.0
Equity at 31 December 2013	**240.0**	**-0.5**	**465.1**	**0.0**	**704.6**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

OVERVIEW

Note 01_ACCOUNTING POLICIES

The financial statements for the Parent Company have been prepared in accordance with the provisions of the Danish Financial Statements Act for large companies in accounting class C.

The Group’s accounting policies are set out in the consolidated financial statements. The accounting policies for the Parent Company are the same as for the Group with the adjustments set out below.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

DIVIDENDS AND INCOME FROM EQUITY INVESTMENTS IN SUBSIDIARIES

In the Parent Company financial statements this accounting item comprises dividends from subsidiaries. A dividend is recognized when the shareholders' entitlement to receive a dividend has been approved by the competent company bodies.

If the dividend exceeds total earnings after the acquisition date, it is recognized as a write-down of the cost of the investment.

INVESTMENTS

Equity investments in subsidiaries are measured in the Parent Company financial statements at cost minus any write-down for impairment.

Loans to subsidiaries are recognized under non-current assets in the Parent Company financial statements if these are considered part of the investment.

STATEMENT OF CASH FLOWS

Pursuant to section 86 para. 4 of the Danish Financial Statements Act, the Parent Company does not prepare a separate statement of cash flows; please refer to the consolidated statement of cash flows.

NOTE 02_REVENUE

KMD A/S operates within the IT and IT-related services segment in the Danish market.

NOTE 03_STAFF COSTS

DKK million	2013	2012
Wages, salaries and remuneration	2,020.9	1,838.3
Pensions	171.3	163.7
Other social security costs	7.5	7.9
Total	**2,199.7**	**2,009.9**
Board of Directors		
Remuneration	0.2	0.4
Total	**0.2**	**0.4**
Executive Board		
Salaries, etc.	10.5	10.6
Pensions	0.2	0.2
Total	**10.7**	**10.8**
Average number of employees	**2,654**	**3,062**

An amount of DKK 293 million has been expensed in 2013 for salaries and compensation for employees who left the company as a result of structural adjustments.

A new share investment program was established on 20 December 2012 for the Executive Board and a number of senior employees. Investment is by means of endorsing three limited partnerships, which together have purchased shares comprising 4.11% of the share capital in AI Keyemde ApS. See Note 6 to the consolidated financial statements for further information.

NOTE 04_FINANCIAL INCOME

DKK million	2013	2012
Interest income	7.8	18.2
Interest income, Group enterprises	0.1	0.3
Carrying amount at 31 December	**7.9**	**18.5**

NOTE 05_FINANCIAL EXPENSES

DKK million	2013	2012
Interest expenses	10.4	8.0
Interest expenses, Group enterprises	3.3	0.3
Total	**13.7**	**8.3**

NOTE 06_TAX ON PROFIT FOR THE YEAR

DKK million	2013	2012
Current tax	43.1	110.8
Change in deferred tax	-37.4	39.6
Total	5.7	150.4
Prior year adjustments	0.0	0.4
Total	**5.7**	**150.8**
Made up as follows:		
Tax on profit for the year	5.9	150.4
Tax on changes in equity	-0.2	0.4
Total	**5.7**	**150.8**

Development in deferred tax can be specified as follows:

DKK million	2013	2012
Balance at 1 January	91.4	60.5
Adjustment of deferred tax, 1 January	-1.4	-8.7
Provisions for the year	-37.4	39.6
Balance at 31 December	**52.6**	**91.4**
Deferred tax is made up as follows:		
Intangible assets	134.4	175.4
Property, plant and equipment	-51.0	-51.5
Other liabilities	-11.2	-5.5
Non-current portion	**72.2**	**118.4**
Current assets	2.6	9.7
Other liabilities	-22.2	-36.7
Current portion	**-19.6**	**-27.0**
Balance at 31 December	**52.6**	**91.4**

NOTE 07_INTANGIBLE ASSETS

2013

DKK million	Customer relation-ships	Rights	Goodwill	Develop-ment projects in progress	Completed develop-ment projects	Total
Cost at 1 January	58.5	42.1	154.3	626.7	56.9	938.5
Additions during the year		3.5		123.9	34.6	162.0
Transfers				-567.3	567.3	0.0
Disposals during the year				-1.4		-1.4
Cost at 31 December	58.5	45.6	154.3	181.9	658.8	1,099.1
Amortization and impairment losses at 1 January	14.6	34.1	30.2	0.0	24.1	103.0
Impairment losses					212.2	212.2
Amortization for the year	11.0	4.3	10.2		34.6	60.1
Amortization and impairment losses at 31 December	25.6	38.4	40.4	0.0	270.9	375.3
Carrying amount at 31 December	**32.9**	**7.2**	**113.9**	**181.9**	**387.9**	**723.8**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	7.0	1.4	8.4

NOTE 08_PROPERTY, PLANT AND EQUIPMENT

2013

DKK million	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.8	47.6	627.3	149.1	967.8
Additions during the year		3.5	88.5	1.8	93.8
Disposals during the year	-0.7		-197.0	-0.3	-198.0
Cost at 31 December	143.1	51.1	518.8	150.6	863.6
Depreciation at 1 January	48.7	7.5	437.9	135.3	629.4
Depreciation for the year	8.0	3.9	79.6	7.3	98.8
Depreciation eliminated on disposals	-0.2		-159.5	-0.3	-160.0
Depreciation at 31 December	56.5	11.4	358.0	142.3	568.2
Carrying amount at 31 December	**86.6**	**39.7**	**160.8**	**8.3**	**295.4**

NOTE 09_EQUITY INVESTMENTS IN GROUP ENTERPRISES

DKK million	2013	2012
Cost at 1 January	23.2	78.5
Additions	77.9	0.0
Disposals	-6.5	-55.3
Cost at 31 December	94.6	23.2
Accumulated impairment losses at 1 January	0.0	0.0
Impairment losses for the year	-3.8	0.0
Accumulated impairment losses at 31 December	-3.8	0.0
Carrying amount at 31 December	**90.8**	**23.2**

Group enterprises 2013	Domicile	Currency	Ownership interest
KMD International A/S	Ballerup	DKK	100.0%
KMD BPO A/S	Ballerup	DKK	100.0%
KMD Sverige AB	Stockholm	SEK	100.0%
KMD Sverige Handelsbolag	Stockholm	SEK	50.0%
Medialogic A/S	Odense	DKK	100.0%
Axapoint ApS	Skanderborg	DKK	100.0%

The wholly-owned subsidiary Organisator A/S was merged with the Parent Company KMD A/S with effect from 1 January 2012.

NOTE 10_NON-CURRENT RECEIVABLES

DKK million	2013	2012
Receivables over 1 year	2.4	0.5

NOTE 11_CONTRACT WORK IN PROGRESS

DKK million	2013	2012
Selling price of work performed	294.3	324.3
Payments received on account	-237.5	-263.6
Carrying amount at 31 December	**56.8**	**60.7**

NOTE 12_PREPAYMENTS

DKK million	2013	2012
Prepaid salaries	34.2	36.4
Other prepayments	48.4	59.9
Carrying amount at 31 December	**82.6**	**96.3**

NOTE 13_SHARE CAPITAL

DKK million	2013	2012
The Parent Company's capital is made up as follows:		
1 share class of A shares of DKK 1,000	240	240
Total	**240**	**240**

The share capital has been unchanged at DKK 240.0 million for the last five financial years.

NOTE 14_PROVISIONS

DKK million	2013	2012
Provisions at 1 January	136.5	151.4
Additions during the year	88.0	87.3
Used during the year	-119.6	-102.2
Reversed during the year	0.0	0.0
Carrying amount at 31 December	**104.9**	**136.5**

Provisions relate essentially to expected expenses in connection with customer projects.

There is some uncertainty regarding the size of the actual amounts and the time they fall due. In the case of onerous contracts, the lack of certainty relates primarily to the number of hours that will be used to fulfill contracts, including fulfillment of service targets and interpretation of framework agreements, etc.

NOTE 15_NON-CURRENT LIABILITIES

DKK million	2013	2012
Non-current payables due more than 5 years after the balance sheet date	93.1	0.0
Carrying amount at 31 December	**93.1**	**0.0**

NOTE 16_OTHER PAYABLES

DKK million	2013	2012
Holiday pay obligations	300.9	312.2
Other staff-related items	291.0	116.5
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	45.5	102.7
Carrying amount at 31 December	**637.4**	**531.4**

NOTE 17_CONTINGENT ASSETS AND LIABILITIES

The Company has entered into leases and operating leases that are non-cancelable on the part of the Group beyond 1 year. The value of the total rental and lease commitments is as follows:

RENTAL COMMITMENTS

DKK million	2013	2012
Rental commitments due within 1 year	105.5	107.0
Rental commitments due within 2 to 5 years	401.9	405.3
Rental commitments due after 5 years	652.4	754.6
Total	**1,159.8**	**1,266.9**

Rental commitments relate primarily to the Group's owner-occupied properties where contracts have been entered into that are non-cancelable until 1 January 2024.

Expenses relating to the above operational leasing contracts recognized in the income statement in 2013 amount to DKK 108 million (2012: DKK 111 million).

LEASE COMMITMENTS

DKK million	2013	2012
Lease commitments due within 1 year	227.7	228
Lease commitments due within 2 to 5 years	443.2	563.8
Lease commitments due after 5 years	212.5	209.4
Total	**883.4**	**1,001.2**

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

Expenses relating to the above operational leasing contracts recognized in the income statement in 2013 amount to DKK 228 million (2012: DKK 220.5 million).

OTHER LIABILITIES AND CONTINGENT LIABILITIES

The Group has particular obligations to employees employed on equivalent terms to public servants. The obligation relates to tideover allowances and compensation for temporary unemployment, etc. totaling DKK 3.0 million at 31 December 2013 if the employees in question were given notice on the balance sheet date.

The Group is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, the management does not consider that they will have a material impact on the Company's results or financial position.

The senior loan agreement is a loan facility comprising two loan facilities and a revolving credit facility. On 31 December 2013 KMD A/S's nominal debt in relation to the loan agreement was DKK 3,355 million.

The shares in KMD A/S and its subsidiaries have been pledged as security for the senior loan agreement.

KMD has entered into an agreement with KL (Local Government Denmark) concerning adjustment of price development and service level in certain IT systems critical in relation to local governments' administration of legislation in the welfare area.

NOTE 18_RELATED PARTIES

The Company has had the following transactions with related parties:

DKK million	**2013**	**2012**
Trading and balances with related parties comprise:		
Sale of goods and services, Group enterprises	43.7	42.2
Purchase of goods and services, Group enterprises	21.2	37.2
Interest income from Group enterprises	0.1	0.3
Interest expenses to Group enterprises	3.3	0.3
Receivables from Group enterprises	8.1	5.2
Payables to Group enterprises	34.2	130.9

See Note 23 to the consolidated financial statements for more information on related parties.

NOTE 19_EVENTS AFTER THE BALANCE SHEET DATE

The annual report for KMD A/S and Group enterprises is included in the consolidated financial statements for AI Keyemde ApS.

No events have occurred since the balance sheet date that have a material impact on the Company's financial position at 31 December 2013.

STATEMENTS

STATEMENT BY THE EXECUTIVE BOARD AND BOARD OF DIRECTORS

The Board of Directors and the Executive Board have today discussed and approved the annual report for the financial year 1 January – 31 December 2013 for KMD A/S.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU, and the Parent Company financial statements have been prepared in accordance with the Danish Financial Statements Act. The consolidated financial statements and the Parent Company financial statements have also been prepared in accordance with additional Danish disclosure requirements for annual reports. The Management's review, which is not included in the audit, has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements provide a fair presentation of the Group's assets, equity, liabilities and financial position at 31 December 2013 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2013.

In our opinion the Parent Company financial statements provide a fair presentation of the Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Company's operations for the financial year 1 January – 31 December 2013.

In our opinion the Management's review provides a fair account of the development in the Group's and the Company's operations and financial circumstances, net profit for the year, and the Group's and the Company's financial position, plus a description of the key risks and elements of uncertainty to which the Group and the Company are subject.

It is recommended that the annual report be approved by the Annual General Meeting.

Ballerup, 29 April 2014

EXECUTIVE BOARD

Eva Berneke
CEO

Carsten Fensholt
CFO

BOARD OF DIRECTORS

Léo Apotheker
Chairman

John Woyton

Fred Wakeman

Michael Christiansen

Eva Berneke

Carsten Fensholt

Else Bergman

Bjerne Kaj Nielsen

Erik Lykke Hansen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KMD A/S

STATEMENT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and Parent Company Financial Statements of KMD A/S for the financial year 1 January to 31 December 2013, which comprise income statement, balance sheet, statement of changes in equity, notes and accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and statement of cash flows for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with additional Danish disclosure requirements for companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for companies and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements for companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Consolidated Financial Statements and Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 Consolidated Financial Statements and Parent Company Financial Statements.

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

The audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for companies.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2013 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Statements Act and Danish disclosure requirements for companies.

STATEMENT ON MANAGEMENT'S REVIEW

We have in accordance with the Danish Financial Statements Act read Management's Review. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 29 April 2014

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Fin T. Nielsen
State Authorized Public Accountant

Leif Ulbæk Jensen
State Authorized Public Accountant

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