KMD HOLDING APS

ANNUAL REPORT 2017

1 January 2017 – 31 December 2017

Lautrupparken 40
2750 Ballerup
Denmark
CVR no. 34 69 93 72

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KMD Holding ApS
Ballerup
CVR no. 34 69 93 72
Annual Report for 2017
16th financial year

PROFILE

WELCOME TO KMD

KMD is one of Denmark's largest IT and software companies, with locations in Copenhagen, Aarhus, Odense and Aalborg. The KMD Group also comprises subsidiaries in Norway, Sweden, Finland and Poland.

In 2017, KMD generated revenue of DKK 5.6 billion, and the Group currently has around 3,500 employees.

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 the Company's stock.

Society in change

Better services for citizens. New products for customers. Rationalization of work processes. Stronger collaboration. Handling of new legislation. Better management and control tools. New types of competition. These are just some of the challenges faced by public organizations and private companies today.

More IT is obviously not the answer to everything. But digitization and digital transformation can help in meeting new requirements and addressing new challenges. So software development and digitization, which are KMD's core services, are high on the agenda in a changing society.

KMD in change

It is not just society and KMD's customers that are changing. KMD is also changing. The strategy "KMD on more markets" means that KMD is continuously expanding its collaborations with a range of public and private companies and organizations: from the Danish local governments and regions to Danish central government and a large number of Denmark's many private companies.

At the same time, KMD is increasingly moving beyond Denmark's borders, primarily into other parts of Scandinavia. Here, one success story is KMD's subsidiary Banqsoft with its software for the financial sector.

In order to develop offerings to customers, in terms of both solutions and skills, KMD has acquired a number of companies in recent years. In 2017, Charlie Tango – formerly In2media group – became part of the KMD family.

An attractive workplace

The KMD Group's approximately 3,500 employees are its key asset. KMD has and wants to maintain a reputation as a good, stimulating place to work. It is KMD's ambition to be one of Denmark's most attractive IT employers.

KMD is Denmark's largest IT company measured by number of employees. The KMD Group has around

3,500
EMPLOYEES

– of whom around 3,000 in Denmark.

Almost

400
BILLION DKK

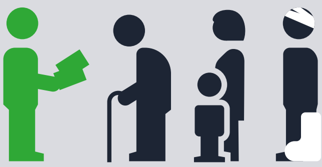
passes through KMD's systems each year. This is equivalent to around

20%

of Denmark's GDP.

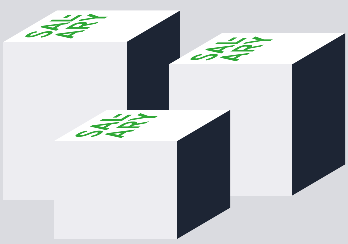
Every month, KMD pays out benefits to around

1.3 MILLION PEOPLE



Every year, KMD facilitates salary payments to around

1,100,000 DANES



The cross-disciplinary health and social care platform KMD Nexus has more than **100,000** daily users. The platform is used by more than

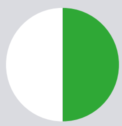
50
DIFFERENT PROFESSIONAL GROUPS

– from social workers to psychologists in the Pedagogical Psychological Counselling service, educators, substance abuse consultants and nurses.

KMD's learning platform MinUddannelse (MyEducation) is used in

42 LOCAL GOVERNMENTS

by more than **300,000** pupils, almost **60,000** teachers and educators, and more than **370,000** parents.



50%

of Norwegian and Swedish capital financing agreements have IT support via software from KMD's subsidiary Banqsoft.

12 OUT OF 18

Danish pension companies use software from KMD's subsidiary Edlund.

Since 2012, KMD has invested around

2.7
BILLION DKK

in acquisitions and own product development

– of which a little over

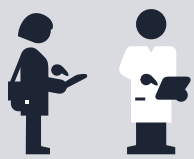
1
BILLION DKK

in developing own software, which is mainly used in the digitization of the public sector, but increasingly also in the private market, e.g. Edlund's LIFELINK.

Overall, KMD has invested

HUNDREDS OF MILLIONS OF KRONER

in software for the children & young people and social & health areas.



KMD has more than

1,500

Danish and international customers, including more than 800 companies.

RESULTS

THE PAST YEAR

Across the Group, 2017 was another exciting year with a high level of activity.

In 2017, KMD grew its revenue compared with 2016 and once again delivered a reasonable profit. This was acceptable in the current market characterized by increasingly fierce competition.

In the middle of the year, KMD implemented an organizational change as part of the ongoing transformation from local government supplier to Nordic software supplier to both the private and public sectors.

KMD joint its local government business in the Local Government strategic business unit and its private sector business in the KMD Business strategic business unit.

In order to develop its offerings to customers, in terms of both solutions and skills, KMD has acquired a number of companies in recent years. In 2017, Charlie Tango – formerly In2media group – became part of the KMD Group.

The past year was also an eventful year for the respective customer segments.

New agreements were signed in all segments, and KMD launched and implemented a number of new products.

Four local governments are running KMD's job center solution KMD Momentum. A total of 37 local governments have chosen the new solution, which is the technological upgrade of the previous solutions, KMD Opera and Workbase. In the care area, KMD has been busy implementing the IT solution KMD Nexus. The first customers now have the new day care enrolment solution KMD Institution, while the City of Copenhagen has been given a new finance system based on SAP's HANA technology.

The year also brought delivery of the support systems for KOMBIT. The case gave a lot of publicity, ended with KMD and KOMBIT reaching a settlement that also included an extension of the transition agreement between KMD and the local governments. In 2017, KMD further delivered a new debitor system to ATP/UDK.

KMD signed an agreement with the Danish Ministry of Finance's Agency for Modernisation on the delivery, operation, maintenance, support and development of the state's budget system. The system will be used by all Danish ministries and agencies in Denmark.

In 2017, KMD went live with its new KMD Payroll Cloud solution, and the first private sector customer started using the system during the course of the year.

RESULTS

RESULTS AND EARNINGS

Revenue

The KMD Group's revenue increased in 2017 by 5.8%, or DKK 308 million, which was above expectations.

Given the current market, the revenue development is considered acceptable.

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

EBITDA before special items

EBITDA before special items decreased by 2% from DKK 1,102 million in 2016 to DKK 1,077 million in 2017. The reason for this was increased costs related to completing major new projects.

Special items totaled DKK 388 million in 2017 against DKK 441 million in 2016.

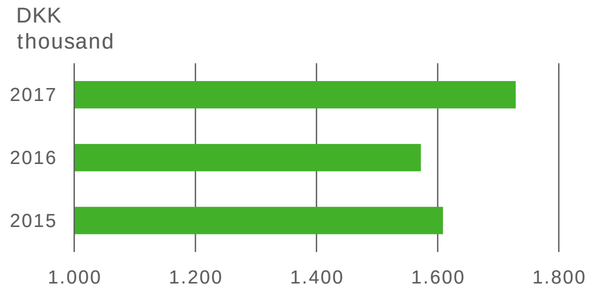
Special items in 2017 comprised expenditure on rationalization measures related to reorganizations and structural adjustments, as well as provision for compensation for customer claims.

Net profit for the year

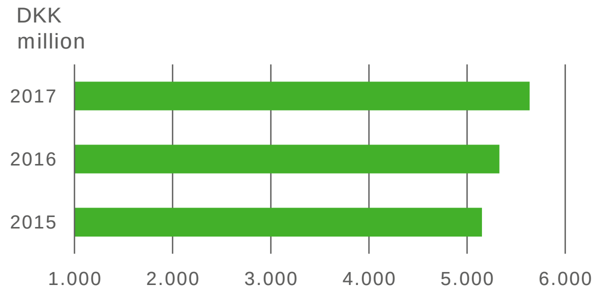
The Group's net profit in 2017 was a negative DKK 291 million, against a negative DKK 239 million in 2016. The decrease in net profit is mainly explained by increased amortization of intangible assets compared with 2016. Impairment on development projects for the year were DKK 33 million compared with DKK 42 million in 2016.

The development is not considered satisfactory.

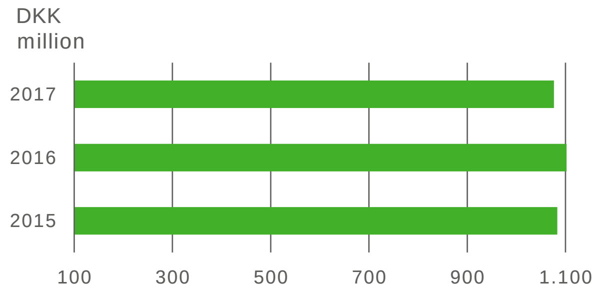
REVENUE / AVG. NUMBER OF EMPLOYEES



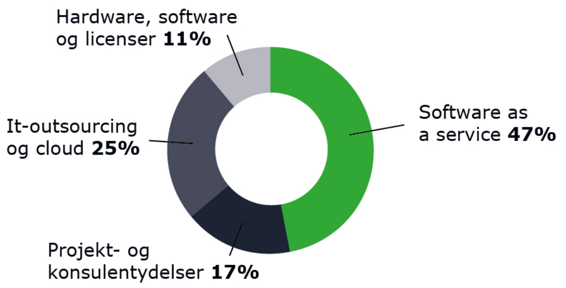
REVENUE



EBITDA
BEFORE SPECIAL ITEMS



REVENUE, PRODUCT SEGMENTS



RESULTS

FINANCIAL HIGHLIGHTS

THE KMD GROUP

DKK MILLION

	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue	5,638.1	5,329.9	5,151.2	4,813.6	4,670.3
Expenses	4,561.6	4,227.6	4,068.0	3,819.4	3,768.0
Earnings before interest, tax, depreciation and amortization (EBITDA) before special items	1,076.5	1,102.3	1,083.2	994.2	902.3
Special items	-388.3	-440.6	-149.6	-57.7	-400.0
Earnings before interest, tax, depreciation and amortization (EBITDA)	688.2	661.7	933.6	936.5	502.3
Depreciation, amortization and impairment losses	742.7	683.4	591.3	816.2	443.3
Operating profit (EBIT)	-54.5	-21.7	342.3	120.3	59.0
Net financials	-246.2	-224.9	-228.1	-197.4	-208.9
Tax	9.6	8.0	-73.6	30.8	2.3
Net profit for the year	**-291.1**	**-238.6**	**40.6**	**-107.9**	**-147.6**
Comprehensive income	-281.0	-230.0	38.6	-110.3	-157.6
BALANCE SHEET					
Total assets	7,807.9	8,340.2	7,507.5	7,858.7	7,550.3
Net interest-bearing debt	-4,725.9	-4,671.2	-3,991.5	-2,981.3	-2,840.3
Share capital	21.8	21.8	21.8	21.8	21.8
Total equity	603.0	884.0	1,114.0	1,908.4	2,018.7
CAPITAL EXPENDITURE					
Property, plant and equipment	33.3	42.3	74.7	67.0	93.9
STATEMENT OF CASH FLOWS					
From operating activities	389.1	689.6	636.0	247.6	447.6
From investing activities	-438.5	-1,270.4	-622.5	-396.7	-5.127.5
From financing activities	-150.5	615.1	-657.8	823.4	5.056.8
Net cash flow for the year	-199.9	34.3	-644.3	674.3	376.9
FINANCIAL RATIOS					
EBITDA margin	12.2%	12.4%	18.1%	19.5%	10.8%
EBITDA margin before special items	19.1%	20.7%	21.0%	20.7%	19.3%
Effective tax rate	3.2%	3.2%	64.6%	-40.0%	1.7%
Profit margin (EBIT margin)	-1.0%	-0.4%	6.6%	2.5%	1.3%
Solvency ratio	7.7%	10.6%	14.8%	24.3%	26.7%
Return on equity (ROE)	-39.2%	-23.9%	2.7%	-5.5%	-7.0%
EMPLOYEES					
Average number of full-time equivalents	3,261	3,390	3,202	2,988	3,199

RESULTS

EXPENSES

Cost management

Expenses (staff costs and other external expenses) rose by 8% to DKK 4,562 million in 2017. As in 2016, increased cost in completing major projects meant that KMD Holding ApS did not realize the expected reduction in expenses. Activities have been initiated to strengthen KMD's project deliveries.

Development activities

KMD's development activities relate to software development in the business segments below and in 2017 mainly comprised the activities stated:

_ Local Governments & Regions: Developing new and updated solutions within the social and care area, and institutions and education.

_ Central Government: Developing new and updated solutions for data distribution and case and document handling.

_ Private Sector: Developing new and updated solutions for use in banks as well as life insurance and pension companies.

OUTLOOK

Financial outlook for 2017

The outlook for the KMD Group in 2017 was revenue growth of 2-4%.

KMD delivered total growth in revenue of 5.8%, which was above expectations.

Earnings were lower than expected due to increased costs on major projects.

Outlook for 2018

For 2018, KMD expects revenue and EBITDA on par with 2017.

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

With the new strategy in place, KMD expects to be able to retain its position as one of the largest 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 31 December 2017.

KMD'S BUSINESS SEGMENTS

LOCAL GOVERNMENTS & REGIONS

KMD's largest business segment focuses on Denmark's 98 local governments and five regions. This business segment accounts for 53% of revenue.

In 2017, the revenue generated by Local Governments & Regions was DKK 3,000 million, on par with 2016. EBITDA for the period was DKK 747 million.

KMD's business

In the middle of the year, KMD merged its organization and established the Local Government unit, which brings together KMD's software for the local government and regional area.

The vast majority of the revenue in the segment is generated through development of software, which KMD develops for a broad range of local government tasks, from management accounting to IT support for schools and eldercare.

Events in the year

KMD is focused on being able to present coherent citizen programs as an integrated part of the citizen-centered solutions in the health, social and labor market areas.

Four local governments are running KMD's job center solution KMD Momentum, which is the first specialist local government system developed on Microsoft's Azure Cloud platform.

A total of 37 local governments have chosen the new solution, which is the technological upgrade of the previous solutions, KMD Opera and Workbase.

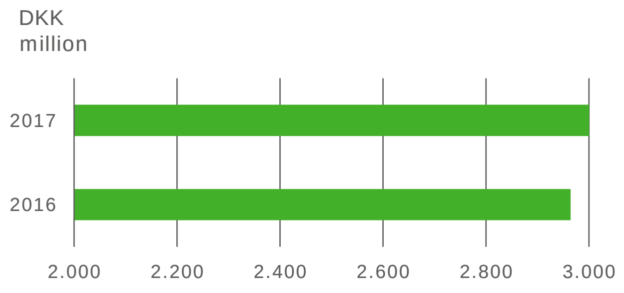
In the care area, KMD has been busy implementing the IT solution KMD Nexus, which has a broad customer base in the local government landscape. KMD Nexus currently delivers the overall platform for citizen programs in 55 local governments and two regions.

KMD now has its first two customers for the new day care enrolment solution KMD Institution, which features simple work processes and extensive automation. During next year, several local governments are expected to migrate to the new solution.

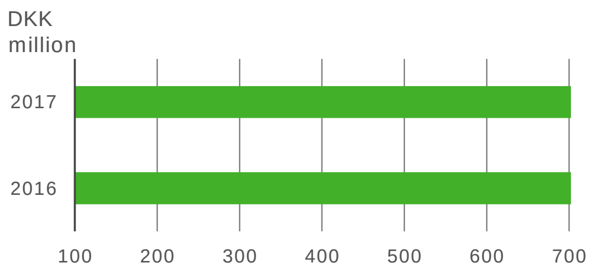
The City of Copenhagen has been given a new ERP-system based on SAP's HANA technology, while the D7 local governments in Zealand chose KMD Opus ERP and three began running it in 2017.

The year also brought handover of the support systems for KOMBIT. The case received a lot of publicity and ended with KMD and KOMBIT reaching a settlement that included a delivery plan for the support systems and the new local government sickness benefit system as well as an extension of the transition agreement between KMD and the local governments. In 2017, KMD also delivered ATP/UDK's new debtor system as part of the monopoly break-up.

REVENUE, LOCAL GOVERNMENTS & REGIONS



EBITDA BEFORE SPECIAL ITEMS, LOCAL GOVERNMENTS & REGIONS



KMD'S SOFTWARE AND SERVICE AREAS

_ Labor market
_ Children and education
_ Social and health
_ Benefits

_ Finance
_ HR, payroll and personnel
_ Analysis and data
_ Property management

_ Productivity and collaboration
_ Case and document handling

_ IT operations and outsourcing
_ IT security
_ Networks and infrastructure

KMD'S BUSINESS SEGMENTS

CENTRAL GOVERNMENT

KMD has considerable business in the Central Government segment, which currently accounts for 19% of the Group's revenue.

In 2017, KMD generated revenue of DKK 1,083 million in the segment, an increase of 7% compared with 2016. EBITDA for the period was DKK 265 million.

KMD's business

The majority of the revenue in the segment is generated through software sales and tender projects relating to the development and maintenance of IT solutions.

As an example, KMD assists with the development of specialist systems for the ministries, the upgrading of central government platforms and the use of data cross-organizationally to create an easily accessible decision-making basis at all levels.

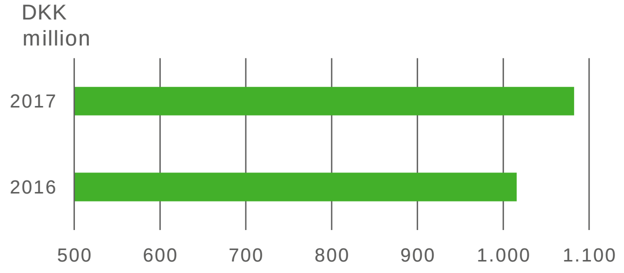
Events in the year

KMD signed an agreement with the Danish Ministry of Finance's Agency for Modernisation on the delivery, operation, maintenance, support and development of the state's budget system. The system will be used by all Danish ministries and agencies in Denmark.

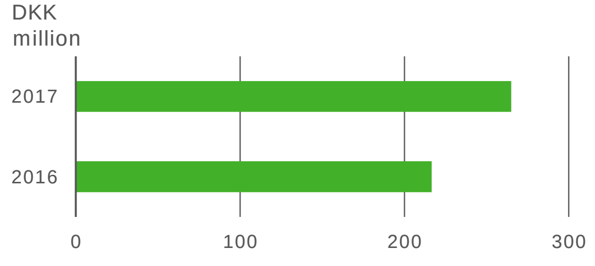
At the start of 2017, KMD signed an agreement with SKAT (the Danish Tax and Customs Administration) on the operation, support, maintenance and development of the IT system Skattekontoen (the Tax Account). This is a key collection system that functions as a central element of the tax system. KMD delivered the solution at the end of the year.

A number of agreements were also signed with various agencies during the year. The Danish Medicines Agency, for example, extended an operating agreement with KMD, and the parties also signed an agreement covering maintenance and development of applications at the agency.

REVENUE, CENTRAL GOVERNMENT



EBITDA BEFORE SPECIAL ITEMS, CENTRAL GOVERNMENT



KMD'S SOFTWARE AND SERVICE AREAS

_ Finance
_ HR, payroll and personnel
_ Analysis and data
_ Property management

_ Enterprise content management
_ Productivity and collaboration
_ Case and document handling

_ Application management

_ IT operations and outsourcing
_ IT security
_ Networks and infrastructure

_ Hardware, software and licenses

KMD'S BUSINESS SEGMENTS

PRIVATE SECTOR

Over the years, KMD has increasingly expanded its business with the private sector.

The Private Sector segment currently accounts for 27% of revenue.

In 2017, KMD generated revenue of DKK 1,545 million in the segment, up 15%. EBITDA for the period was DKK 87 million.

KMD's business

In the middle of the year, KMD adjusted its organization and established the KMD Business unit, which brings together KMD's software and services for the private sector.

The establishment of KMD Business means that, going forward, KMD can offer private sector customers an even more dedicated and comprehensive approach to their business.

KMD Business mainly delivers software and services within the banking and finance, insurance and pensions, and utility sectors.

In 2017, Charlie Tango – previously In2media group – also became part of the KMD Group. With Charlie Tango as part of the Group, KMD can now offer a range of services within customer experience management and customer communication management.

Events in the year

For many years, KMD has been a major player within payroll and HR systems for the private sector. In 2017, KMD went live with its new KMD Payroll Cloud solution, and the first customer started using the system during the course of the year.

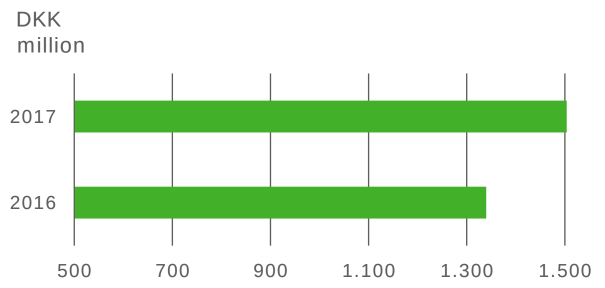
Business intelligence and Analytics is also a focus area for KMD in the private sector segment. Among other things, KMD has an increasing involvement in sports and data. For instance, this year KMD entered into a development collaboration with the handball club FCM.

In 2017, KMD also renewed its operating agreement with e-Boks, the online digital mailbox service. The agreement cements an excellent, enduring collaboration between the two parties.

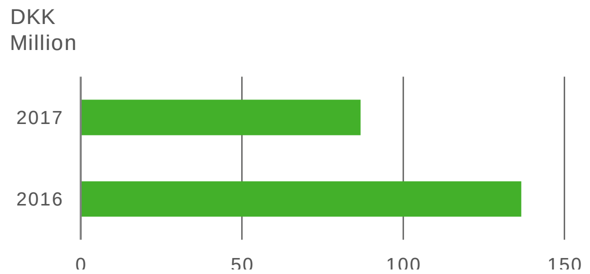
The year was also a busy one for KMD's subsidiary Edlund, which, together with KMD, is making good progress with implementing a new industry solution in collaboration with pension provider PenSam.

Banqsoft's new customers in 2017 included the Finnish banking and insurance company Lähitapiola, the Finnish division of Norwegian bank Instabank and Optin Bank in Norway.

REVENUE, PRIVATE SECTOR



EBITDA BEFORE SPECIAL ITEMS, PRIVATE SECTOR



KMD'S SOFTWARE AND SERVICE AREAS

_ Banking and finance
_ Energy and utilities
_ Life insurance and pensions

_ Payroll and HR
_ ERP
_ Business intelligence and analytics
_ Financial management
_ Procurement

_ Mobile solutions
_ CRM
_ CMS
_ Customer experience management
_ Customer communication management

_ IT operations and outsourcing
_ IT security
_ Networks and infrastructure

_ Hardware, software and licenses

CORPORATE GOVERNANCE

The Boards of Directors and Executive Boards of the Group enterprises are responsible for ensuring that their respective enterprises' management structures and control systems are appropriate and function satisfactorily. The basis for the Managements' work includes the Danish Companies Act, the Danish Financial Statements Act, the enterprises' bylaws and rules of procedure, and good practice for enterprises of the same size as the KMD Group.

Management's Review has been drawn up based on 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

KMD Holding ApS is owned by AI Keyemde & Cy SCA and the limited partnerships AI Keyemde B K/S, AI Keyemde B2 K/S, AI Keyemde C K/S and AI Keyemde Luxembourg C2 K/S.

All the other consolidated enterprises in the Group are 100% owned by their parent company.

Dividend

In 2017, no dividend was distributed for KMD Holding ApS.

The work of the Board of Directors

Jens Due Olsen, who has been a member of KMD's Board of Directors since 2016, became Chairman on 1 September 2017. He replaced Léo Apotheker, who remains a board member.

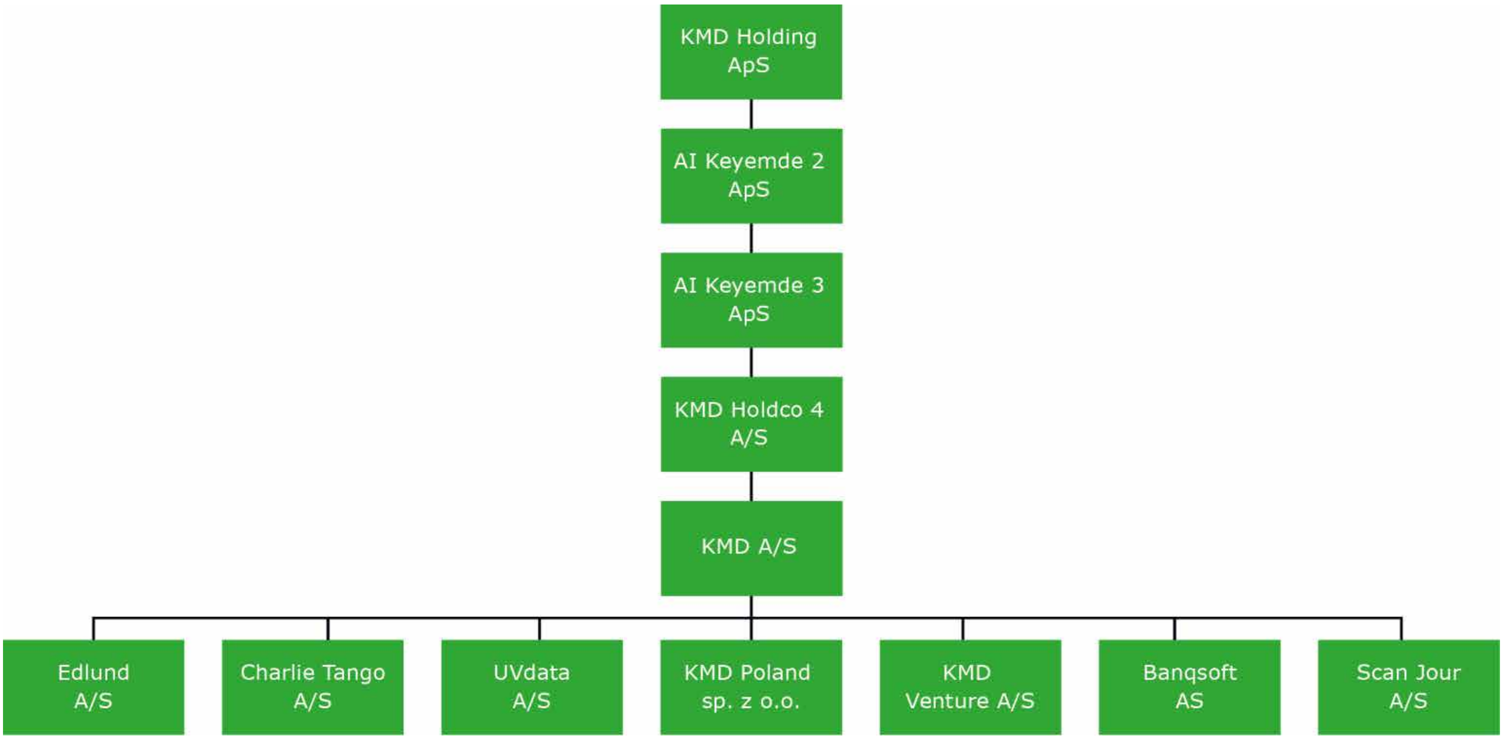
The Boards of Directors of KMD Holding ApS, the other three holding companies and the operating company KMD A/S each held between six and 12 meetings in 2017. The other subsidiaries held board meetings as required and commensurate with their levels of activity.

Remuneration of the Executive Board and Board of Directors

Remuneration to the Executive Board and Board of Directors is shown in Note 24 to the consolidated financial statements.

Corporate social responsibility (CSR)

KMD is working with multiple activities in the CSR field. A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors, cf. §99a and 99b of the Danish Financial Statements Act, can be found on KMD's website: www.kmd.net/CSRreport2017.



CORPORATE GOVERNANCE

SPECIAL RISKS

Business risks

In common with all other IT companies, KMD is exposed to a number of business risks relating to market developments, shifts in customer demand, technological changes, employee recruitment, project execution, etc.

Work to identify risks, consolidate the overview and ensure that relevant measures are initiated is an integral part of managing the business.

KMD's enterprise risk management processes are executed within the frameworks defined by the Board of Directors.

A significant part of KMD's business is delivered in the form of customer projects, with performance terms outlined in the relevant contracts.

On 14 September 2016, KMD A/S, as part of a consortium with CapGemini Sogeti Danmark A/S, was sued by SKAT (the Danish Tax and Customs Administration) for DKK 693 million plus penalty interest. The case concerns the provision of the EFI tax recovery system.

KMD A/S fully rejects the claims that have been brought, but has nevertheless made a provision to cover the compensation that the Company estimates SKAT might be awarded if the courts were to broadly uphold the claims.

On 14 March 2017, the Danish supplementary pension provider ATP decided to terminate the contract regarding development, operation and maintenance of a new pension system. As a consequence of the termination, ATP has sued KMD and claimed compensation of DKK 881 million.

KMD has rejected ATP's right to terminate the contract and the basis for the compensation claim. In addition, KMD has made a counterclaim.

CORPORATE GOVERNANCE

CONTROL AND RISK MANAGEMENT

KMD has established a number of control and risk management systems in connection with financial reporting. 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.

Control environment

Responsibilities and authorities are defined in the Board of Directors' instructions for the Executive Board, policies, procedures and codes. Systems have been established to ensure correct segregation of duties 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 evaluation

A number of accounting 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 control activities are integrated into KMD's accounting and reporting procedures, and include procedures for certification, authorization, approval, reconciliation, analysis of results and separation of incompatible functions.

Information and communication

KMD maintains information and communication systems to ensure that the financial reporting is reliable and complete. KMD's bookkeeping rules and procedures for financial reporting are set out in an accounting manual.

Monitoring

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

STRATEGY

KMD'S STRATEGY

KMD is running the business in accordance with the growth strategy covering the period through 2022, "KMD on more markets."

KMD’s strategy involves maintaining the present strong market position in the Danish local governments as well as increasing market share within software for the private sector and central government institutions across the Nordic market.

Strategy 2022

"KMD on more markets" operates with three main focus areas:

_ KMD must strengthen its engagement in new market segments. KMD has a clear growth strategy for the public and private sectors, focusing on better balance and a broader market footprint.
_ KMD must maintain a continuous focus on customer satisfaction. Customers should continue to develop their engagement with KMD and recommend the Company to others.
_ KMD must be more efficient. KMD maintains its cost focus to make the business as competitive as possible.

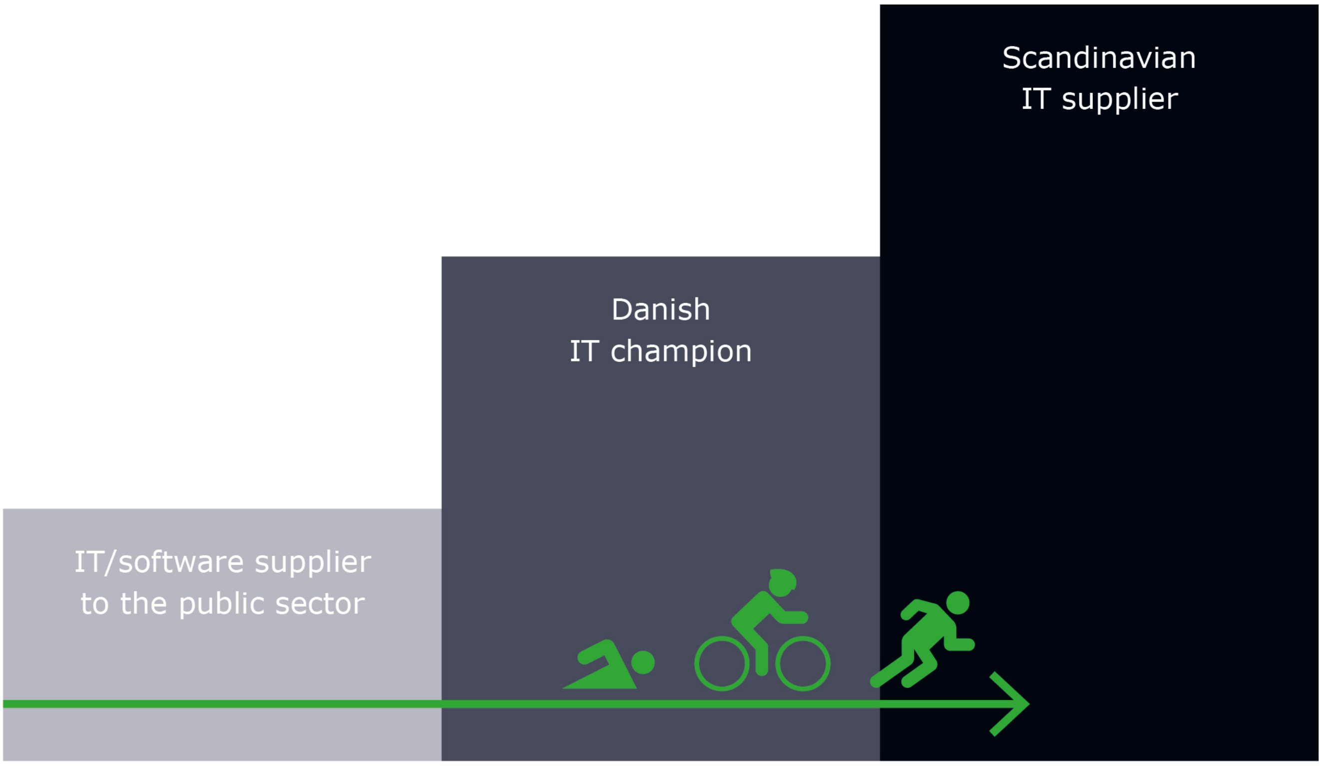
Events in the year

In the middle of the year, KMD implemented an organizational change as part of the ongoing transformation from local government supplier to Nordic software supplier to both the private and public sectors.

KMD brought together its local government business in the Local Government strategic business unit and its private sector business in the KMD Business strategic business unit. KMD Business has acquired its own separate visual identity to highlight the ambitions within the segment.

KMD’s strategy in the private sector market is that the activities within the financial vertical in particular should be increased and assume increasing importance for KMD’s business. The development will take place across the Group in close collaboration with the subsidiaries.

In order to develop KMD’s offerings to customers, in terms of both solutions and skills, in recent years KMD has acquired a number of companies. In 2017, Charlie Tango – previously In2media group – became part of the KMD Group. Charlie Tango adds technological, digital and creative competencies that address the growing demand within digital transformation.



KMD'S MANAGEMENT

BOARDS OF DIRECTORS OF KMD HOLDING APS AND KMD A/S

Chairman
JENS DUE OLSEN
Born 1963
Professional board member
MSc Economics, University of Copenhagen
Member of the boards of KMD Holding ApS
and KMD A/S since 2016

Other positions:
Chairman, NKT and BørneBasketFonden
Vice Chairman, PFA Pension A/S
Director, Auriga Industries A/S, Bladt Industries A/S, Heptagon Advanced Micro Optics Inc., Pierre.dk A/S, Cryptomathic A/S, Gyldendal A/S, Royal Unibrew A/S and Auris Luxembourg III S.A.

Independence:
Considered independent of the KMD Group.

Board members
LÉO APOTHEKER
Born 1953
Professional board member
BA Economics & International Relations, Hebrew University, Jerusalem
Member of the boards of KMD Holding ApS
and KMD A/S since 2012

Other positions:
Chairman, Unit4
Vice chairman, Schneider Electric SA

Independence:
Considered independent of the KMD Group.

JOHN WOYTON
Born 1978
Managing Director, Advent International
BSc Economics, London School of Economics
Member of the boards of KMD Holding ApS
and KMD A/S since 2012

Other positions:
Member of the board of Unit4 and FinancialForce

Independence:
Not considered independent of the KMD Group due to his employment with Advent International.

THOMAS WEISMAN
Born 1980
Director, Advent International
Bachelor of History & Literature, Harvard University
Member of the boards of KMD Holding ApS
and KMD A/S since 2017

Other positions:
Member of the board of Idemia

Independence:
Not considered independent of the KMD Group due to his employment with Advent International.

MICHAEL CHRISTIANSEN
Born 1945
Professional board member
LLB, University of Copenhagen
Member of the boards of KMD Holding ApS
and KMD A/S since 2010

Other positions:
Chairman, DR, Dansk Retursystem A/S, Aarhus University, Kraft & Partners A/S, Lead Agency A/S and SHL A/S
Director, Norwegian Opera and Ballet, Royal Opera in Stockholm, CEJ A/S and Capnova A/S

Independence:
Considered independent of the KMD Group.

MORTEN HÜBBE
Born 1972
Group CEO, Tryg
BA Business, Language and Culture and MSc Financing and Accounting, Copenhagen Business School; Executive Leadership Program at the Wharton School, University of Pennsylvania
Member of the boards of KMD Holding ApS
and KMD A/S since 2015

Other positions:
Director, Tryg Ejendomme A/S, Ejendomsselskabet af 8. maj 2008 A/S and Tjenestemændenes Forsikring

Independence:
Considered independent of the KMD Group.

KMD'S MANAGEMENT || BOARDS OF DIRECTORS OF KMD HOLDING APS AND KMD A/S

ELSE BERGMAN
Born 1954
Technical consultant, KMD A/S
Employed at KMD since 1980
Member of the board of KMD A/S since 2012

Other positions:
Employee representative, KMD

Independence:
Not considered independent as employed in the Group.

KIM SKOVGAARD
Born 1962
Service consultant, KMD A/S
Employed at KMD since 1987
Member of the board of KMD A/S since 2014

Other positions:
Employee representative, KMD

Independence:
Not considered independent as employed in the Group.

THOMAS BISBALLE
Born 1970
Process operator, KMD A/S
Employed at KMD since 2004
Member of the board of KMD A/S since 2014

Other positions:
Employee representative, KMD
Working environment representative, KMD
Chairman, Samdata\HK (Union of Commercial
and Clerical Employees in Denmark)

Independence:
Not considered independent as employed in the Group.

HENRIK HARDER OLSEN
Born 1972
Service consultant, KMD A/S
Employed at KMD since 2003
Member of the board of KMD Holdco 4 A/S since 2014

Other positions:
Employee representative, KMD
Director, ITMK HK Østjylland

Independence:
Not considered independent as employed in the Group.

The Boards of Directors of other subsidiaries are listed by those enterprises.

KMD'S MANAGEMENT

KMD A/S' EXECUTIVE BOARD AND GROUP MANAGEMENT

Executive Board

EVA BERNEKE
CEO

JANNICH KIHOLM LUND
CFO

Business management

OLE N.J. JENSEN
Executive Vice President, Case & Benefits

METTE LOUISE KAAGAARD
Executive Vice President, Local Government

HELLE HUSS
Executive Vice President, KMD Business

SØREN AMUND HENRIKSEN
Executive Vice President, Central Government

PER JOHANSON
Executive Vice President, Financial Service Industry

THOMAS FLARUP
Executive Vice President, Software Center

LARS-HENRIK JESSEN
Executive Vice President, Operations

Functions

BETINA HAGERUP
Executive Vice President, Strategy, Technology & Communication

PETER ALBRECHTSEN
Acting director (attorney), Vice President, Human Resources

FINANCIAL STATEMENTS

Consolidated financial statements

Parent Company financial statements

Statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK MILLION

Note		2017	2016
4	Revenue	5,638.1	5,329.9
5	Other external expenses	2,314.4	2,081.1
6	Staff costs	2,247.2	2,146.5
	Earnings before interest, tax, depreciation and amortization (EBITDA) before special items	**1,076.5**	**1,102.3**
7	Special items	-388.3	-440.6
	Earnings before depreciation and amortization (EBITDA)	**688.2**	**661.7**
9,10	Depreciation, amortization and impairment losses	742.7	683.4
	Operating profit (EBIT)	**-54.5**	**-21.7**
8	Financial income	11.0	20.5
8	Financial expenses	257.2	245.4
	Earnings before tax (EBT)	**-300.7**	**-246.6**
16	Tax on profit for the year	-9.6	-8.0
	Net profit for the year	**-291.1**	**-238.6**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK MILLION

Note		2017	2016
	Net profit for the year	**-291.1**	**-238.6**
	Other comprehensive income		
	Items that will subsequently be reclassified to the income statement		
	Value adjustments of hedging transactions before tax	-2.8	-2.4
	Value adjustments of hedging transactions included in financial items	14.3	11.8
	Foreign currency translation adjustment of foreign enterprises	2.0	-0.3
	Tax on other comprehensive income	-3.4	-0.5
	Other comprehensive income after tax	10.1	8.6
	Total comprehensive income	**-281.0**	**-230.0**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK MILLION

Note		2017	2016
	NON-CURRENT ASSETS		
	Customer relationships	597.3	854.6
	Trademarks	92.8	92.8
	Rights and software	106.2	129.7
	Goodwill	4,470.2	4,380.4
	Completed development projects	522.3	710.3
	Development projects in progress	521.3	399.2
9	**Intangible assets**	**6,310.1**	**6,567.0**
	Land and buildings	56.3	61.8
	Leasehold improvements	46.1	44.3
	Plant and machinery	28.1	40.9
	Fixtures, operating equipment and vehicles	33.7	28.9
10	**Property, plant and equipment**	**164.2**	**175.9**
11	Deposits	49.7	48.0
	Deferred tax asset	8.4	9.4
	Other non-current assets	**58.1**	**57.4**
	Total non-current assets	**6,532.4**	**6,800.3**
	CURRENT ASSETS		
	Equity investments in associates	3.6	1.8
12	Inventories	4.1	3.5
19	Trade receivables	776.0	890.0
	Receivables from Group enterprises	12.9	0.0
	Receivables from associates	0.1	0.3
13	Contract work in progress	109.1	121.6
	Other receivables	42.3	27.0
	Corporation tax receivable	9.9	8.4
14	Prepayments	75.3	46.0
	Derivative financial instruments	0.8	0.0
	Cash	241.4	441.3
	Total current assets	**1,275.5**	**1,539.9**
	Total assets	**7,807.9**	**8,340.2**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK MILLION

Note		2017	2016
	EQUITY		
15	Share capital	21.8	21.8
	Hedging reserve	0.0	-8.1
	Reserve for foreign currency translation adjustments	4.3	2.3
	Retained earnings	576.9	868.0
	Proposed dividend	0.0	0.0
	Total equity	**603.0**	**884.0**
	LIABILITIES		
16	Deferred tax	272.9	325.1
17	Provisions	162.3	158.6
19	Credit institutions	4,559.1	4,549.2
19	Other payables	81.7	34.7
	Non-current liabilities	5,076.0	5,067.6
19	Credit institutions	164.3	285.0
	Prepayments from customers	35.7	35.6
	Trade payables	787.7	692.4
	Payables to Group enterprises	219.8	222.8
18	Other payables	544.2	655.7
	Derivative financial instruments	0.0	9.0
	Corporation tax payable	9.9	80.6
17	Provisions	221.3	257.8
	Deferred income	146.0	149.7
	Current liabilities	2,128.9	2,388.6
	Total liabilities	**7,204.9**	**7,456.2**
	Total equity and liabilities	**7,807.9**	**8,340.2**

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK MILLION

	Share capital	Hedging reserve	Reserve for foreign currency translation adjust-ments	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	21.8	-17.0	2.6	1,106.6	0.0	1,114.0
Net profit for the year				-238.6		-238.6
Other comprehensive income		8.9	-0.3			8.6
Proposed dividend						0.0
Dividend paid						0.0
Equity at 31 December 2016	**21.8**	**-8.1**	**2.3**	**868.0**	**0.0**	**884.0**
Net profit for the year				-291.1		-291.1
Other comprehensive income		8.1	2.0			10.1
Proposed dividend						0.0
Dividend paid						0.0
Equity at 31 December 2017	**21.8**	**0.0**	**4.3**	**576.9**	**0.0**	**603.0**

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 2016 and 2017 was DKK 0 per share.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK MILLION

Note		2017	2016
	Earnings before interest, tax, depreciation and amortization (EBITDA)	688.2	661.7
20	Adjustments of non-cash items	-41.5	-15.2
21	Change in working capital	93.7	379.1
	Corporation tax paid	-128.4	-143.1
	Financial income	33.7	20.6
	Financial expenses	-256.6	-213.5
	Total cash flow from operating activities	389.1	689.6
9	Investments in intangible assets	-260.2	-269.7
10	Investments in property, plant and equipment	-33.3	-42.3
	Sale of property, plant and equipment	0.2	13.6
22	Investment in enterprises	-145.3	-972.0
	Total cash flow from investing activities	**-438.5**	**-1.270.4**
	Repayments of loans	-265.2	-341.9
	New loans	144.2	920.4
	Other payables	-2.3	1.1
	Repayments of finance leases	-11.3	-18.3
	Loans to Group enterprises	-15.9	53.8
	Dividend paid	0.0	0.0
	Total cash flow from financing activities	**-150.5**	**615.1**
	Total cash flow	**-199.9**	**34.3**
	Cash and cash equivalents at 1 January	441.3	407.0
	Cash and cash equivalents at 31 December	**241.4**	**441.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 01_ACCOUNTING POLICIES

The consolidated financial statements for KMD are presented in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU at 31 December 2017 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 Holding A/S and subsidiaries in which the Parent Company directly or indirectly owns more than 50% of the voting rights or otherwise has control. Subsidiaries are recognized from when control is obtained.

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.

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 gained over the acquired enterprise (acquisition date). The purchase method is applied to acquisition of subsidiaries. Associates held for sale are recognized at the lower of cost and net realizable value.

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, to determine whether it has been subject to impairment. 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 of 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.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 flows 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 because 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 used to hedge future cash flows are recognized in comprehensive income and accumulated as a reserve in equity.

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 income is recognized when the criteria for risk transfer have been fulfilled, which is typically the same as 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.

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

Special items
Special items are expenses or income items recorded in the income statement that cannot directly be attributed to ordinary activities. These expenses and income items comprise expenses for restructuring, fundamental structural adjustments and adjustment of provision for special compensation payments to customers. They are therefore presented separately to provide a more comparable basis for assessing the underlying business.

Gains and losses in connection with disposal of non-current assets are recognized under Special items.

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 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 based on 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 crystallize as 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 staff costs plus a proportion of other expenses that can directly 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	3-15 years
Customer relationships	5-15 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 and 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 based on 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 value 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 based on the 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 except for 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 based on 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 based on these expected lower payments.

It is further assessed whether groups of receivables that are not significant individually have been subject to a decrease in value. These receivables are then written down by group based on 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 based on 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, because 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.

Deferred tax is calculated based on 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 crystallize as current tax. Changes in deferred tax due to changes in tax rates are recognized in the income statement, except for the effect concerning items recognized in Other comprehensive income. Provision for deferred tax is calculated 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.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets and liabilities are shown 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 based on 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.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 02_SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

In preparing KMD's annual report, 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 estimates

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

Management makes significant accounting assessments in connection with revenue 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 concerning future events. The estimates made are based on historical experiences and other factors that 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 because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Impairment of assets

Goodwill

In performing the annual impairment test, an estimate is made as to whether the individual parts 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 9 for a description of the impairment test for intangible assets. The carrying amount of goodwill at 31 December 2017 was DKK 4,470.2 million (31 December 2016: DKK 4,380.4 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 33.3 million (2016: DKK 43.2 million). The write-down in 2017 was a result of a reassessment of future cash flows.

The carrying amount of completed development projects at 31 December 2017 was DKK 522.3 million (31 December 2016: DKK 710.3 million).

In the case of development projects in progress, an 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. No write-down on development projects in progress was made in 2016 or 2017.

For KMD, the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values, including developments in technologies and interest rates.

The carrying amount of development projects in progress at 31 December 2017 was DKK 521.3 million (31 December 2016: DKK 399.2 million).

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Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated based on 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 2017 was DKK 109.1 million (31 December 2016: DKK 121.6 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 2017 was DKK 164.2 million (31 December 2016: DKK 175.9 million).

Provisions

Provisions essentially relate to the most significant expected expenses in connection with customer projects and legal cases.

There is some uncertainty regarding the size of the actual amounts and the time they fall due.

NOTE 03_NEW FINANCIAL REPORTING STANDARDS

Change in accounting policies, including presentation and implementation of financial reporting standards

The accounting policies for the financial statements of 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, amendments to these and the interpretations that have been endorsed by the IASB and the EU and entered into force in the 2017 financial year. These are as follows for KMD:

_ Annual Improvements (2012-2014): These entail a number of minor amendments to IFRS.
_ IAS 7: Requirement for additional disclosures concerning reconciliation of financial liabilities in the statement of cash flows.
_ IAS 12: Clarifies when there is a temporary difference on tax assets relating to financial assets recognized at fair value.

KMD has assessed the effect of the new IFRS standards and interpretations, and has concluded that all the standards and interpretations that have come into force for financial years beginning 1 January 2017 are either not relevant to KMD or do not have a material impact on the consolidated financial statements.

New financial reporting standards (IAS/IFRS) and interpretations (IFRIC) adopted, but not yet applicable to the financial year under review

The following amended financial reporting standards and interpretations that may be relevant to KMD have been adopted by the IASB and endorsed by the EU. The standards come into force at a later date, which is why they will not be implemented until the annual reports for the years in which they become effective.

_ IFRS 15 "Revenue from Contracts with Customers:" New standard on revenue recognition. The standard may potentially affect recognition of revenue in a number of areas including:
  _ When revenue is recognized
  _ Recognition of variable remuneration
  _ Allocation of revenue in combined contracts (contracts with multiple performance obligations)
  _ Recognition of revenue from licensing rights
  _ Costs of entering into contracts
  _ Additional disclosure requirements

IFRS 15 "Revenue from Contracts with Customers" is not expected to have a material impact on the Company's recognition criteria nor on net profit for the year. The standard becomes effective on 1 January 2018.

_ IFRS 9 "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities." This introduces a new model for impairment of loans and receivables based on expected losses. The number of categories of financial assets is reduced to three: those measured at amortized cost, those measured at fair value via the income statement and those measured at fair value via other comprehensive income. Fair value adjustments to financial liabilities that are attributable to fair value and derive from a change in own credit risk shall be recognized in Other comprehensive income. Simplified provisions on hedge accounting are introduced.

IFRS 9 "Financial Instruments" is not expected to have a material impact on the Company's recognition criteria nor on net profit for the year. The standard becomes effective on 1 January 2018.

_ IFRS 16 "Leasing:" For lessees, all leases must in future be recognized in the balance sheet in the form of a lease commitment and lease asset, unless the lease term is 12 months or less or the underlying asset has a low value. It must also be assessed whether it is a lease or a service agreement.

On the implementation date, IFRS 16 "Leasing" is expected to impact the Group's property, plant and equipment by more than DKK 0.8 billion, and current and non-current payables by an equivalent amount. The Group's EBITDA is expected to be impacted positively by more than DKK 100 million. No material impact is expected on net profit or equity. The standard becomes effective for financial years beginning 1 January 2019 or later.

KMD is in the process of assessing the effect of the new IFRS standards and interpretations, and will implement the standards as they become effective.

IASB has issued the following amendments to standards and new interpretations that could be relevant to KMD but have not yet been endorsed by the EU:

_ IAS 28 "Investments in Associates and Joint Ventures." Clarification that an enterprise must apply IFRS 9, including the requirements on writing down financial assets, when recognizing equity investments, even if such receivables are considered part of the net investment in associates or joint ventures in accordance with IAS 21. The amendment becomes effective for financial years beginning 1 January 2019 or later.

_ IFRS 2 "Share-based Payment:" The amendment covers the following three circumstances:
  _ Vesting conditions for cash-settled schemes shall be treated in accordance with the same rules as equity-settled schemes.
  _ If a share-based payment scheme allows the enterprise to withhold a part of the equity instruments for payment of any withholding tax incumbent on the recipient, such schemes shall be treated as equity-settled schemes.
  _ Rules for the accounting treatment of modifications to a cash-settled scheme that is changed to an equity-settled scheme.

The amendment becomes effective for financial years beginning 1 January 2018 or later.

_ IFRS 9 "Financial Instruments:" A minor amendment concerning classification of receivables where the borrower is able to make a prepayment on the loan and such prepayment has negative consequences for the borrower. These can be measured at amortized cost or fair value with adjustments via other comprehensive income if specific criteria are met.

The amendment becomes effective for financial years beginning 1 January 2019 or later.

_ IFRIC 22 "Foreign Currency Transactions and Advance Consideration:" IAS 21 requires enterprises to use the exchange rate on the transaction date, which is defined as the time when the transaction first meets the recognition criteria.

The amendment becomes effective for financial years beginning 1 January 2018 or later.

_ IFRIC 23 "Uncertainty over Income Tax Treatments:" The interpretation clarifies that it must be determined whether each tax position is to be treated separately or together with other uncertain tax positions. The assessment assumes that the tax authorities have the same knowledge of the circumstances as the enterprise, which is why the assessment must disregard the detection risk. The determination may be based, for example, on how tax statements are drawn up or how the enterprise expects the authorities to treat the uncertain tax positions. The uncertain tax position shall be recognized if it is likely that the enterprise will pay or receive repayments. The uncertain tax position shall be measured so as best to reflect the receivable/liability and the associated uncertainty.

The amendment becomes effective for financial years beginning 1 January 2019 or later.

Annual Improvements (2014-2016): These concern two minor clarifications:

_ IAS 28 "Investments in Associates and Joint Ventures:" Clarification that if a venture company chooses to measure equity investments in an associate or a joint venture at fair value with value adjustment via the income statement, this choice can be made for each joint venture.
_ IFRS 1 "First-time Adoption of IFRS:" Deletion of certain exemptions for first-time adopters that are no longer relevant regarding financial instruments, employee benefits and investment entities.

The amendments become effective for financial years beginning 1 January 2018 or later.

Annual Improvements (2015-2017). These concern a number of minor amendments to IFRS:

_ IAS 12 "Income Taxes:" Tax concerning dividend tax shall be recognized in the income statement, cf. IAS 12. The amendments become effective for financial years beginning 1 January 2019 or later.
_ IAS 23 "Borrowing Costs:" Borrowing costs on a specific loan may subsequently be changed to borrowing costs on a general loan, cf. IAS 23. The amendments become effective for financial years beginning 1 January 2019 or later.
_ IFRS 3 "Business Combinations:" Clarifies that a stepwise acquisition of a joint venture where the enterprise acquires control shall be treated in accordance with IFRS 3. The amendments become effective for financial years beginning 1 January 2019 or later.

KMD expects to implement these standards and interpretations when they become effective.

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NOTE 04_SEGMENTS

REVENUE BY BUSINESS SEGMENT

DKK MILLION

	2017	2016
Local Governments & Regions	3,000.4	2,964.5
Central Government	1,082.6	1,015.7
Private Sector	1,544.9	1,339.6
Other	10.2	10.1
Total	**5,638.1**	**5,329.9**

Revenue is generated primarily within the Nordic Countries.

EBITDA BEFORE SPECIAL ITEMS BY BUSINESS SEGMENT

DKK MILLION

	2017	2016
Local Governments & Regions	747.0	727.6
Central Government	265.0	216.6
Private Sector	86.8	136.6
Other	-22.3	21.5
Total	**1,076.5**	**1,102.3**

NOTE 05_AUDIT FEE

DKK MILLION

	2017	2016
Fee to the Company's auditor, PricewaterhouseCoopers		
Statutory audit fee	1.0	1.0
Other assurance engagements	3.7	4.9
Tax advisory services	0.8	0.7
Other services	6.8	2.3
Total	**12.3**	**8.9**

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NOTE 06_STAFF COSTS

DKK MILLION

	2017	2016
Wages and salaries	2,114.3	2,045.8
Pensions	195.8	186.8
Other social security costs	34.7	20.5
Total	**2,344.8**	**2,253.1**
Staff costs recognized in special items	97.6	93.7
Staff costs recognized in EBITDA before special items	2,247.2	2,146.5
Average number of employees	3,261	3,390

An amount of DKK 97.6 million (2016: DKK 93.7 million) has been expensed in 2017 for salaries and compensation for employees who left the Company due to structural adjustments.

The remuneration and shareholdings of the Executive Board and the Board of Directors are described in Note 24.

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NOTE 07_SPECIAL ITEMS

Reorganization and structural adjustments

Expenses relating to reorganization and structural adjustments primarily concern termination expenses.

Transformation programs

Expenses relating to transformation programs primarily concern expenses associated with changing the business setup, including server and mainframe operation.

Other:

Other expenses of a special nature, including acquisition-related expenses and special compensation payments to customers.

2016

DKK MILLION

	Other external expenses	Staff costs	Other operating income	Total
Reorganization and structural adjustments		-93.7		-93.7
Transformation programs	-75.0			-75.0
Other	-261.8	-12.9	2.8	-271.9
Total	**-336.8**	**-106.6**	**2.8**	**-440.6**

2017

DKK MILLION

	Other external expenses	Staff costs	Other operating income	Total
Reorganization and structural adjustments	-25.3	-97.6		-122.9
Transformation programs	-57.5			-57.5
Other	-207.9	0.0	0.0	-207.9
Total	**-290.7**	**-97.6**	**0.0**	**-388.3**

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NOTE 08_FINANCIAL INCOME/EXPENSES

2016

DKK MILLION

	Interest	Foreign currency translation adjustments	Fair value adjustments	Total
Income				
Loans and receivables	1.8	16.0		17.8
Loans to Group enterprises	0.1	0.0		0.1
Financial liabilities measured at amortized cost			2.6	2.6
Total	**1.9**	**16.0**	**2.6**	**20.5**
Expenses				
Loans and receivables	202.6	10.9		213.5
Loans to Group enterprises	0.0			0.0
Financial liabilities measured at amortized cost	31.9			31.9
Total	**234.5**	**10.9**	**0.0**	**245.4**

2017

DKK MILLION

	Interest	Foreign currency translation adjustments	Fair value adjustments	Total
Income				
Loans and receivables	1.3	9.5		10.8
Loans to Group enterprises	0.2	0.0		0.2
Financial liabilities measured at amortized cost				0.0
Total	**1.5**	**9.5**	**0.0**	**11.0**
Expenses				
Loans and receivables	219.7	12.6		232.3
Loans to Group enterprises	0.0			0.0
Financial liabilities measured at amortized cost	23.2		1.7	24.9
Total	**242.9**	**12.6**	**1.7**	**257.2**

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NOTE 09_INTANGIBLE ASSETS

2016

DKK MILLION

	Customer relationships	Trademarks	Rights and software	Goodwill	Development projects in progress	Completed development projects	Total
Cost at 1 January	1,423.2	92.8	214.8	3,692.1	348.5	887.0	6,658.4
Acquisitions	359.5		0.0	688.3		205.4	1.253.2
Additions during the year			25.5		223.2	21.0	269.7
Disposals during the year						-59.6	-59.6
Transfers			-11.3		-172.5	183.8	0.0
Foreign currency translation adjustments			0.9				0.9
Cost at 31 December	**1,782.7**	**92.8**	**229.9**	**4,380.4**	**399.2**	**1,237.6**	**8,122.6**
Amortization and impairment losses at 1 January	632.8	0.0	74.5	0.0	4.0	251.5	962.8
Acquisitions						17.2	17.2
Impairment losses						0.0	0.0
Amortization for the year	295.3		31.4			265.9	592.6
Transfers			-6.0		-4.0	10.0	0.0
Disposals during the year						-17.3	-17.3
Foreign currency translation adjustments			0.3				0.3
Amortization and impairment losses at 31 December	**928.1**	**0.0**	**100.2**	**0.0**	**0.0**	**527.3**	**1,555.6**
Carrying amount at 31 December	**854.6**	**92.8**	**129.7**	**4,380.4**	**399.2**	**710.3**	**6,567.0**
Carrying amount of capitalized interest at 31 December		0.0	0.0	0.0	1.7	6.5	8.2
Of which assets held under finance leases		0.0	0.0	0.0	0.0	0.0	0.0

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2017

DKK MILLION

	Customer relationships	Trademarks	Rights and software	Goodwill	Development projects in progress	Completed development projects	Total
Cost at 1 January	1,782.7	92.8	229.9	4,380.4	399.2	1,237.6	8,122.6
Acquisitions	67.5		0.0	112.7	0.0		180.2
Additions during the year			4.0		195.7	60.4	260.1
Disposals during the year			-0.3			-101.1	-101.4
Transfers					-73.6	73.6	0.0
Foreign currency translation adjustments			-0.3				-0.3
Cost at 31 December	**1,850.2**	**92.8**	**233.3**	**4,493.1**	**521.3**	**1,270.5**	**8,461.2**
Amortization and impairment losses at 1 January	928.1	0.0	100.2	0.0	0.0	527.3	1,555.6
Acquisitions							0.0
Impairment losses	5.1			22.9		33.3	61.3
Amortization for the year	319.7		27.2			288.4	635.3
Transfers							0.0
Disposals during the year			-0.3			-101.1	-101.4
Foreign currency translation adjustments						0.3	0.3
Amortization and impairment losses at 31 December	**1,252.9**	**0.0**	**127.1**	**22.9**	**0.0**	**748.2**	**2,151.1**
Carrying amount at 31 December	**597.3**	**92.8**	**106.2**	**4,470.2**	**521.3**	**522.3**	**6,310.1**
Carrying amount of capitalized interest at 31 December		0.0	0.0	0.0	1.9	6.3	8.2
Of which assets held under finance leases							0.0

The carrying amount of goodwill in 2017 was DKK 4,470.2 million against DKK 4,380.4 million in 2016.

The key part of goodwill has arisen in connection with the acquisitions of KMD in 2013, Banqsoft in 2015, Edlund and UVD Holding in 2016, and Charlie Tango in 2017, and relates to the business areas Public and Private Sector as well as Central Government.

The carrying amount of intangible assets excluding goodwill was DKK 1,839.9 million in 2017 against DKK 2,186.6 million in 2016 and relates primarily to software development.

Capitalized interest in 2017 was DKK 8.2 million against DKK 8.2 million in 2016. The average interest rate applied was 4.4%.

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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 the cash-generating units, the key parameters in the impairment test are EBITDA, funds tied up in working capital, growth in the business segment and the discount rate.

Public Sector Centralized Administrative Solutions primarily concerns goodwill related to the acquisitions of KMD in 2013, Avaleo ApS in 2015, UVD Holding ApS in 2016 and Medialogic A/S in 2013. The goodwill is tested at an aggregated level for the Local Governments & Regions business segment. The individual entities cannot be assessed separately because the value-creating processes are generated across the Group, including synergies from combined operations, economies of scale and future growth potential.

Central Government & Data primarily comprises goodwill related to the acquisitions of KMD in 2013 and Scan Jour A/S in 2014. The goodwill is tested at an aggregated level for the Central Government & Data business segment. The individual entities cannot be assessed separately because the value-creating processes are generated across the Group, including synergies from combined operations, economies of scale and future growth potential.

Private Sector & Infrastructure primarily comprises goodwill related to the acquisitions of Banqsoft AS in 2015, EMT Nordic Holding ApS and Edlund A/S in 2016, and Charlie Tango A/S in 2017. The goodwill is tested at an aggregated level for the Private Sector & Infrastructure business segment. The individual entities cannot be assessed separately because the value-creating processes are generated across the Group, including synergies from combined operations, economies of scale and future growth potential.

Budgets and business plans, typically for the next four years, are used in the impairment tests. These are based on KMD's known and expected events and risks in the key parameters, and incorporated in future expected cash flows.

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 1% p.a.

The discount rate of 9.8% applied in calculating the recoverable value in both 2017 and 2016 is determined before tax and reflects the risk-free interest and risk premium in the individual cash-generating units. 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 2017 Management performed an impairment test on the carrying amount of development projects.

Recognized development projects in progress and completed development projects cover development primarily focused on solutions within Citizen Centered Software Solutions.

The value of the recognized development projects is compared with expected earnings from the products.

The impairment loss resulted in KMD writing down DKK 33.3 million in 2017 based on a reassessment of future cash flows, including market potential.

The Company does not have any research costs. Development costs charged to the income statement in 2017 were DKK 55 million against DKK 87 million in 2016.

Goodwill

At 31 December 2017 Management performed an impairment test on the carrying amount of goodwill.

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

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DKK MILLION

	2017	2016
Local Governments & Regions	3,230.0	3,230.7
Central Government	306.5	306.5
Private Sector	933.7	843.2
Total	**4,470.2**	**4,380.4**

The impairment test was carried out in the fourth quarter of the financial year based on the budgets and business plans approved by the Executive Board and Board of Directors and other information. The discount rate of 9.8% applied for all cash-generating units is calculated before tax. Estimated growth, etc. is based on past performance and expected useful life of the contracts.

The test carried out in 2017 indicated an impairment loss of DKK 22.9 million related to the closure of a business area within Private Sector & Infrastructure. The test carried out in 2016 did not indicate any impairment.

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 the development in market shares, and changes in profit margin and discount rate.

NOTE 10_PROPERTY, PLANT AND EQUIPMENT

2016

DKK MILLION

	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Carrying amount at 1 January	**140.3**	**63.3**	**389.8**	**234.4**	**827.8**
Acquisitions		4.5		35.2	39.7
Additions during the year		6.4	18.6	17.3	42.3
Disposals during the year	-0.4	-0.2	-78.3	-4.0	-82.9
Foreign currency translation adjustments				-0.2	-0.2
Cost at 31 December	**139.9**	**74.0**	**330.1**	**282.7**	**826.7**
Depreciation at 1 January	71.6	20.8	330.8	215.7	638.9
Acquisitions		2.3		30.2	32.5
Depreciation for the year	6.6	6.6	23.6	11.7	48.5
Depreciation eliminated on disposals	-0.1		-65.2	-3.7	-69.0
Transfers					0.0
Foreign currency translation adjustments				-0.1	-0.1
Depreciation at 31 December	78.1	29.7	289.2	253.8	650.8
Carrying amount at 31 December	**61.8**	**44.3**	**40.9**	**28.9**	**175.9**
Of which assets held under finance leases			0.0		0.0

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2017

DKK MILLION

	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Carrying amount at 1 January	**139.9**	**74.0**	**330.1**	**282.7**	**826.7**
Acquisitions		2.8		0.9	3.7
Additions during the year		7.9	3.5	21.9	33.3
Disposals during the year	-0.5		-14.7	-19.4	-34.6
Transfers		5.0		2.0	7.0
Foreign currency translation adjustments				-0.1	-0.1
Cost at 31 December	**139.4**	**89.7**	**318.9**	**288.0**	**836.0**
Depreciation at 1 January	78.1	29.7	289.2	253.8	650.8
Acquisitions		2.3			2.3
Depreciation for the year	5.2	8.1	16.2	16.6	46.1
Depreciated eliminated on disposals	-0.2		-14.7	-19.4	-34.3
Transfers		3.5		3.5	7.0
Foreign currency translation adjustments			0.1	-0.2	-0.1
Depreciation at 31 December	83.1	43.6	290.8	254.3	671.8
Carrying amount at 31 December	**56.3**	**46.1**	**28.1**	**33.7**	**164.2**
Of which assets held under finance leases			0.0		0.0

NOTE 11_DEPOSITS

DKK MILLION

	2017	2016
Cost at 1 January	**48.0**	**44.9**
Acquisitions	0.1	4.5
Additions during the year	5.2	0.6
Disposals during the year	-3.6	-2.0
Cost at 31 December	49.7	48.0
Carrying amount at 31 December	**49.7**	**48.0**

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NOTE 12_INVENTORIES

DKK MILLION

	2017	2016
Hardware and software for resale	2.3	3.1
Raw materials and consumables	1.8	0.4
Carrying amount at 31 December	**4.1**	**3.5**

Cost of sales charged to the income statement under Other external expenses was DKK 630 million in 2017 against DKK 583 million in 2016.

Inventories expected to be sold after more than one year were DKK 0 million at 31 December 2017, unchanged from 2016.

Write-downs on inventories for the year were DKK 0 in 2017 against DKK 0.6 million in 2016.

No write-downs were reversed in 2017 or 2016.

NOTE 13_CONTRACT WORK IN PROGRESS

DKK MILLION

	2017	2016
Work in progress at 31 December at selling price	374.3	238.5
Work in progress invoiced on account	-265.2	-116.9
Work in progress, net	**109.1**	**121.6**
Recognized as follows:		
Work in progress (assets)	109.1	121.6
Work in progress (liabilities)	0.0	0.0
Total work in progress	**109.1**	**121.6**

NOTE 14_PREPAYMENTS

DKK MILLION

	2017	2016
Prepaid salaries	0.2	0.8
Other prepayments	75.1	45.2
Carrying amount at 31 December	**75.3**	**46.0**

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

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NOTE 15_SHARE CAPITAL

NUMBER

	2017	2016
The Parent Company's capital is made up as follows:		
A shares	20,853,808	20,853,808
A2 shares	15,000	15,000
B shares	890,051	890,051
C shares	5,000	5,000
Total	**21,763,859**	**21,763,859**

The Company was incorporated on 1 September 2012 with share capital of DKK 80,000. The share capital was increased by DKK 21,631,000 on 19 December 2012 and by DKK 53,000 on 5 April 2013.

The share capital comprises 21,763,859 shares with a nominal value of DKK 1.

The Company's shares are registered by name and are not negotiable papers.

C shares do not carry voting rights.

NOTE 16_TAX ON PROFIT FOR THE YEAR

DKK MILLION

	2017	2016
Current tax	46.2	104.8
Change in deferred tax	-57.5	-115.1
	-11.3	-10.3
Prior-year adjustment	-1.7	1.8
Total	**-13.0**	**-8.5**
Made up as follows:		
Tax on profit for the year	-9.6	-8.0
Tax relating to other comprehensive income	-3.4	-0.5
Total	**-13.0**	**-8.5**

CONSOLIDATED FINANCIAL STATEMENTS
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PER CENT

Reconciliation of effective tax rate for the year	2017	2016
Corporation tax rate in Denmark	22.0	22.0
Non-deductible expenses	-20.0	-18.6
Differences in foreign subsidiaries' tax rates compared with Danish tax rates	0.4	0.6
Use of unregistered tax loss carryforward	0.2	0.1
Prior-year adjustment	0.6	-0.9
Effective tax rate for the year	**3.2**	**3.2**

DKK MILLION

	2017	2016
Balance at 1 January	325.1	336.3
Adjustment of deferred tax, 1 January	-2.7	-6.0
Adjustment of deferred tax in connection with acquisitions	7.0	109.4
Adjustment of tax assets	1.0	0.5
Adjustment for the year	-57.5	-115.1
Balance at 31 December	**272.9**	**325.1**
Deferred tax is made up as follows:		
Intangible assets	361.9	434.0
Property, plant and equipment	-38.8	-43.2
Other liabilities	-21.2	-14.0
Non-current portion	**301.9**	**376.8**
Current assets	8.6	8.3
Other liabilities	-37.6	-60.0
Current portion	**-29.0**	**-51.7**
Carrying amount at 31 December	**272.9**	**325.1**

DKK MILLION

Deferred tax assets not recognized in the balance sheet	2017	2016
Temporary differences	-0.5	-3.4
Tax loss	12.7	12.8
Carrying amount at 31 December	**12.2**	**9.4**

Utilization of the Group's deferred tax assets is not subject to any time restrictions.

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NOTE 17_PROVISIONS

DKK MILLION

	2017	2016
Provisions at 1 January	416.4	231.9
Acquisitions	35.2	23.0
Additions during the year	119.6	228.0
Used during the year	-187.6	-66.5
Reversed during the year	0.0	0.0
Carrying amount at 31 December	**383.6**	**416.4**

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

There is some uncertainty regarding the size of the actual amounts and the time they fall due.

NOTE 18_OTHER CURRENT PAYABLES

DKK MILLION

	2017	2016
Holiday pay obligations	321.5	315.8
Other staff-related items	166.0	198.8
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	54.6	89.6
Other payables	2.1	51.5
Balance at 31 December	**544.2**	**655.7**

NOTE 19_FINANCIAL INSTRUMENTS, ETC.

The Group's risk management policy

Because of its operations, investments and financing, the Group is not particularly exposed to financial risks. 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 because of KMD's customer segment.

The Group strives to spread bank deposits across several different banks with a minimum credit rating of A- with Standard & Poor's or A3 with Moody's.

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

	2017	2016
Trade receivables	776.0	890.2
Write-downs	0.0	-0.2
Trade receivables, net	776.0	890.0
Receivables from Group enterprises	0.0	0.0
Total	**776.0**	**890.0**
Receivables past due that have been impaired	0.0	0.2
Receivables past due that have not been impaired can be specified as follows:		
Receivables past due, less than 6 months	39.4	35.1
Receivables past due, between 6 and 12 months	6.5	1.8
Receivables past due, more than 12 months	2.0	0.0
Total	**47.9**	**37.1**

NON-CURRENT RECEIVABLES

DKK MILLION

	2017	2016
Receivables due after 12 months	0.0	0.0

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity risk
The required liquidity in the Group’s entities is ensured based on 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).

2016

DKK MILLION

	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carry-ing amount	Fair value
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap	9.0					9.0	9.0	9.0
Measured at amortized cost:								
Borrowings	325.7	2.866.4	2.130.2	9.0		5.331.3	4.834.2	4.834.2
Payables to Group enterprises	222.8					222.8	222.8	222.8
Trade payables	692.4					692.4	692.4	692.4
Other current liabilities	655.7					655.7	655.7	655.7
Financial liabilities	**1,905.6**	**2,866.4**	**2,130.2**	**9.0**	**0.0**	**6,911.2**	**6,414.1**	**6,414.1**
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap								
Loans and receivables:								
Deposits					48.0	48.0	48.0	48.0
Trade receivables	890.0					890.0	890.0	890.0
Receivables from Group enterprises						0.0	0.0	0.0
Contract work in progress	121.6					121.6	121.6	121.6
Other receivables – current	27.0					27.0	27.0	27.0
Cash and cash equivalents	441.3					441.3	441.3	441.3
Financial assets	**1,479.9**	**0.0**	**0.0**	**0.0**	**48.0**	**1,527.9**	**1,527.9**	**1,527.9**
Net cash outflow	**425.7**	**2,866.4**	**2,130.2**	**9.0**	**-48.0**	**5,383.3**	**4,886.2**	**4,886.2**

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2017

DKK MILLION

	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carry-ing 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	334.7	4,818.1	29.5	0.0		5,182.3	4,723.4	4,834.2
Payables to Group enterprises	219.8					219.8	219.8	219.8
Trade payables	787.7					787.7	787.7	787.7
Other current liabilities	544.2					544.2	544.2	544.2
Financial liabilities	**1,886.4**	**4,818.1**	**29.5**	**0.0**	**0.0**	**6,734.0**	**6,275.1**	**6,385.9**
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap								
Loans and receivables:								
Deposits					49.7	49.7	49.7	48.0
Trade receivables	776.0					776.0	776.0	776.0
Receivables from Group enterprises						12.9	12.9	12.9
Contract work in progress	109.1					109.1	109.1	109.1
Other receivables – current	42.3					42.3	42.3	42.3
Cash and cash equivalents	241.4					241.4	241.4	241.4
Financial assets	**1,168.8**	**0.0**	**0.0**	**0.0**	**49.7**	**1,231.4**	**1,231.4**	**1,229.7**
Net cash outflow	**717.6**	**4,818.1**	**29.5**	**0.0**	**-49.7**	**5,502.6**	**5,043.7**	**5,156.2**

Unutilized credits were DKK 195 million.

CONSOLIDATED FINANCIAL STATEMENTS
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Interest rate risk

Most of the Group's loans are at variable rates of interest, which exposes the Group to fluctuations in short-term interest rates.

The Company's interest rate risk at year-end is not hedged, which is why an increase of 1 percentage point in the market rate is estimated to impact earnings before tax by a negative DKK 48 million and equity by an equivalent amount. The corresponding figure for 2016 was a negative DKK 20 million. KMD expects a minimum of 50% of the variable interest rate to be hedged.

The Group's overdraft facilities are at variable rates of interest, which is why interest income/expenses in the individual years will depend on the development in the short-term interest rate. KMD does not hedge this interest rate risk. Correspondingly, loans to the Parent Company are not hedged.

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 currencies or the euro.

In 2017, 97% of the Group's revenue was earned in Danish kroner, unchanged from 2016.

To minimize the risk of the Group being impacted by currency fluctuations, significant expected income and expenses in currencies other than the individual Group companies' functional currencies are hedged for a period of up to 12 months. This does not apply to the euro.

The Group's currency risk is considered limited.

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 net interest-bearing debt to EBITDA, is monitored on a monthly basis as part of managing the Group's capital structure. At year-end 2017 the maximum gearing was not permitted to exceed 5.40. At 31 December 2017 it was 4.27 (31 December 2016: 4.13).

NOTE 20_ADJUSTMENTS OF NON-CASH ITEMS

DKK MILLION

	2017	2016
Adjustment of liabilities	-41.5	-15.3
Other adjustments	0.0	0.1
Total adjustments	**-41.5**	**-15.2**

NOTE 21_CHANGE IN WORKING CAPITAL

DKK MILLION

	2017	2016
Change in inventories	-0.5	0.7
Change in receivables	136.0	-22.7
Change in contract work in progress	8.5	-6.6
Change in trade payables	87.4	162.9
Change in other items, net	-137.7	244.8
Total change in working capital	**93.7**	**379.1**

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22_EQUITY INVESTMENTS IN ENTERPRISES

2016

In 2016, KMD acquired all the shares in EMT Nordic Holding ApS, Edlund A/S and UVD Holding A/S.

At the end of 2016 a preliminary assessment of allocation of the purchase consideration of the assets and liabilities acquired in connection with the acquisitions of EMT Nordic Holding ApS, Edlund A/S and UVD Holding A/S was carried out.

The statement below of assets and liabilities on the acquisition dates represents the preliminary allocations recognized in 2017.

FAIR VALUE AT ACQUISITION DATE

DKK MILLION

	EMT Nordic Holding ApS	Edlund A/S	UDV Holding A/S	Total
Customer relationship, Property, plant and equipment	40.7	359.4	155.7	555.8
Inventories and receivables	6.6	35.0	10.6	52.2
Deferred liabilities, net	0.0	-5.9	-10.4	-16.3
Non-current payables	-8.3	-52.4	-91.2	-151.9
Current payables	-6.8	-58.5	-8.5	-73.8
Corporation tax payable, net	-9.9	-61.3	-35.4	-106.6
Acquired net assets	**22.3**	**216.3**	**20.8**	**259.4**
Goodwill	47.9	375.0	289.7	712.6
Net cash flow arising from acquisitions	**70.2**	**591.3**	**310.5**	**972.0**
Cash and cash equivalents in acquired subsidiary	3.0	0.2	35.2	38.4
Acquisition cost	**73.2**	**591.5**	**345.7**	**1,010.4**

EMT Nordic Holding ApS
The activities in EMT were acquired on 6 June 2016 and recognized in the financial statements from this date. EMT Nordic develops software and provides consultancy services within the energy and environment sector.

If the enterprise had been owned for the entire reporting period, recognized revenue and net profit would have been DKK 25 million and DKK 7 million respectively.

Revenue relating to EMT has been recognized in the income statement and statement of comprehensive income since the acquisition and totaled DKK 15 million in 2016.

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

The total consideration has been calculated at DKK 73 million excluding transaction costs and was paid in cash. Transaction costs of DKK 0.8 million have been recognized in Special items.

Edlund A/S
The activities in Edlund were acquired on 15 July 2016 and recognized in the financial statements from this date. Edlund is the Danish leader in developing software for life insurance and pension companies.

If the enterprise had been owned for the entire reporting period, recognized revenue and net profit would have been DKK 265 million and DKK 10 million respectively.

Revenue relating to Edlund has been recognized in the income statement and statement of comprehensive income since the acquisition and totaled DKK 117 million in 2016. Goodwill mainly represents the value of intangible assets in the form of know-how and existing staff. The calculated goodwill is not amortizable for tax purposes.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The total consideration has been calculated at DKK 592 million excluding transaction costs and was primarily loan-financed.

Transaction costs of DKK 3.5 million have been recognized in Special items.

UVD Holding A/S

The activities in UVD Holding, including the subsidiary UVdata A/S, were acquired on 10 October 2016 and recognized in the financial statements from this date. UVdata is one of Denmark's leading developers of software for the education sector. With this acquisition, KMD has created the largest development house in the Danish education sector.

If the enterprises had been owned for the entire reporting period, recognized revenue and net profit would have been DKK 55 million and DKK 25 million respectively.

Revenue relating to UVdata has been recognized in the income statement and statement of comprehensive income since the acquisition and totaled DKK 14 million in 2016.

Goodwill mainly represents the value of intangible assets in the form of know-how and existing staff.

The calculated goodwill is not amortizable for tax purposes.

The total consideration has been calculated at DKK 346 million excluding transaction costs and was primarily loan-financed.

Transaction costs of DKK 1.0 million have been recognized in Special items.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2017
In 2017, KMD acquired all the shares in Charlie Tango A/S.

At the end of 2017 a preliminary assessment of allocation of the purchase consideration of the assets and liabilities acquired in connection with the acquisition was carried out. The statement below of assets and liabilities on the acquisition date represents the preliminary allocations recognized in 2017.

2017

FAIR VALUE ON THE ACQUISITION DATE

DKK MILLION

	Charlie Tango A/S	Other	Total
Customer relationship, Property, plant and equipment	69.0	2.9	71.9
Inventories and receivables	20.2		20.2
Deferred liabilities, net	-16.7		-16.7
Non-current payables	0.0		0.0
Current payables	-14.5		-14.5
Corporation tax payable, net	-1.0		-1.0
Acquired net assets	**57.0**	**2.9**	**59.9**
Goodwill	85.4	0.0	85.4
Net cash flow arising from acquisition	**142.4**	**2.9**	**145.3**
Cash and cash equivalents in acquired subsidiary	3.8	-0.8	3.0
Acquisition cost	**146.2**	**2.1**	**148.3**

Charlie Tango A/S
The activities in Charlie Tango A/S (previously In2media group) were acquired on 3 July 2017 and recognized in the financial statements from this date. Charlie Tango offers a wide range of solutions and services within customer experience management and customer communication management.

If the enterprise had been owned for the entire reporting period, recognized revenue and net profit would have been DKK 77 million and DKK 2 million respectively.

Revenue relating to Charlie Tango has been recognized in the income statement and statement of comprehensive income since the acquisition and totaled DKK 33.6 million in 2017.

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

The total consideration has been calculated at DKK 146 million excluding transaction costs and was primarily loan-financed.

Transaction costs of DKK 1.3 million have been recognized in Special items.

Edlund A/S
Goodwill in relation to Edlund has been adjusted with DKK 27.3 million in 2017 due to an adjustment to the fairvalue of the net assets purchased.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23_CONTINGENT ASSETS AND LIABILITIES

The Group has entered into rental agreements 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

	2017	2016
Rental commitments due within 1 year	117.7	121.7
Rental commitments due within 2 to 5 years	474.9	421.0
Rental commitments due after 5 years	608.9	777.1
Total	**1,201.5**	**1,319.8**

Rental commitments relate primarily to the Group's owner-occupied properties.

LEASE COMMITMENTS

DKK MILLION

	2017	2016
Lease commitments due within 1 year	312.3	439.0
Lease commitments due within 2 to 5 years	624.2	817.1
Lease commitments due after 5 years	37.0	48.7
Total	**973.5**	**1,304.8**

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24_RELATED PARTIES

The Company's related parties are:	Domicile	Relationship	Owner-ship interest
AI Keyemde & Cy SCA	Luxembourg	Shareholder in KMD Holding ApS	95.9%
AI Keyemde B K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	3.9%
AI Keyemde B2 K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.2%
AI Keyemde C K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.0%
AI Keyemde Luxembourg C2 K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.0%
KMD Holding ApS	Ballerup, Denmark	Shareholder in AI Keyemde 2 ApS	100.0%
AI Keyemde 2 ApS	Ballerup, Denmark	Shareholder in AI Keyemde 3 ApS	100.0%
AI Keyemde 3 ApS	Ballerup, Denmark	Shareholder in KMD HoldcO 4 A/S	100.0%
KMD Holdco 4 A/S	Ballerup, Denmark	Shareholder in KMD A/S	100.0%
Edlund A/S	Valby, Denmark	Subsidiary of KMD A/S	100.0%
UVdata A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100.0%
KMD Poland sp. z o.o.	Warsaw, Poland	Subsidiary of KMD A/S	100.0%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100.0%
Banqsoft AB	Stockholm, Sweden	Subsidiary of Banqsoft AS	100.0%
Banqsoft OY	Espoo, Finland	Subsidiary of Banqsoft AS	100.0%
Banqsoft sp. z o.o.	Warsaw, Poland	Subsidiary of Banqsoft AS	100.0%
KMD Venture A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100.0%
Scan Jour A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100.0%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of A/S	100.0%
Legacy ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	42.0%
Kompis Holding ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	10.2%
Code Creation IVS	Copenhagen, Denmark	Associate of KMD Venture A/S	15.0%
KUBO Robotics ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	9.1%
Relabee ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	49.0%

AI Keyemde & Cy SCA owns 95.89% of the shares in KMD Holding ApS. The ultimate owner of AI Keyemde & Cy SCA is funds managed by Advent International Corporation. These funds, which own 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 funds own or manage more than 15% of the shares.

More information about Advent International is available on www.adventinternational.com.

KMD Holding ApS is included as a subsidiary in the financial statements of AI Keyemde & Cy SCA. The parent company can be contacted at the company's address: 2-4, rue Beck, 1222 Luxembourg, Grand Duchy of Luxembourg.

CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Related party transactions

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

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

There have not been any other transactions with the Board of Directors or Executive Board during the year beyond what is shown in the overview of remuneration below.

REMUNERATION FOR BOARD OF DIRECTORS AND EXECUTIVE BOARD

DKK MILLION

	2017	2016
Board of Directors		
Remuneration	0.5	0.5
Total	**0.5**	**0.5**
Executive Board		
Salary	6.8	6.7
Bonus	1.9	4.0
Benefits	0.3	0.3
Pensions	1.1	1.1
Total	**10.1**	**12.1**

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 KMD Holding ApS made by three limited partnerships.

The share purchases comprise 4.11% of the share capital in KMD Holding ApS.

At 31 December 2017 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 entitled to sell the shares to third parties only in connection with a stock exchange listing or the sale of KMD Holding ApS (exit event). If an employee covered by the program leaves the Company before an exit event has occurred, the person is obliged to sell their shares at a price based on a predetermined formula.

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

SHARES	B shares	C shares
At 1 January 2017	**604,747**	**4,979**
Granted during the year	14,061	125
Terminations	95,847	928
Exercised		
Expired	0,0	0,0
Outstanding at 31 December 2017	**522,961**	**4,176**

NOTE 25_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 31 December 2017.

CONSOLIDATED FINANCIAL STATEMENTS

EXPLANATION OF FINANCIAL RATIOS

The financial ratios have been prepared in accordance with *Recommendations and Key Ratios 2015*, 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	$\frac{\text{Earnings before interest, tax, depreciation and amortization (EBITDA)}}{\text{Revenue}}$
Effective tax rate	$\frac{\text{Tax on net profit for the year x 100}}{\text{Profit before tax}}$
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

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

Note		2017	2016
	Other external expenses	0.1	0.2
	Operating profit (EBIT)	**-0.1**	**-0.2**
3	Financial income	1.0	0.4
4	Financial expenses	1.7	2.3
	Earnings before tax (EBT)	**-0.8**	**-2.1**
5	Tax on profit for the year	0.0	-0.1
	Net profit for the year	**-0.8**	**-2.0**
	Allocated as follows:		
	Dividend	0.0	0.0
	Retained earnings	-0.8	-2.0

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK MILLION

Note		2017	2016
	NON-CURRENT ASSETS		
6	Equity investments in subsidiaries	1,311.1	1,311.1
	Total non-current assets	**1,311.1**	**1,311.1**
	CURRENT ASSETS		
	Receivables from Group enterprises	27.6	0.1
	Corporation tax receivable	0.0	0.1
	Cash	221.6	249.9
	Total current assets	**249.2**	**250.1**
	Total assets	**1,560.3**	**1,561.2**

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK MILLION

Note		2017	2016
	EQUITY		
13	Share capital	21.8	21.8
	Retained earnings	1,318.7	1,319.5
	Proposed dividend	0.0	0.0
	Total equity	**1,340.5**	**1,341.3**
	LIABILITIES		
	Trade payables	0.0	0.1
	Payables to Group enterprises	219.8	219.8
	Corporation tax payable	0.0	0.0
	Current liabilities	**219.8**	**219.9**
	Total liabilities	**219.8**	**219.9**
	Total equity and liabilities	**1,560.3**	**1,561.2**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

PARENT COMPANY

DKK MILLION

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	21.8	1,319.5	0.0	1,341.3
Provision for dividend				0.0
Dividend paid				0.0
Net profit for the year		-0.8		-0.8
Proposed dividend to shareholders				0.0
Equity at 31 December 2017	**21.8**	**1,318.7**	**0.0**	**1,340.5**

PARENT COMPANY

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

OVERVIEW

PARENT COMPANY
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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 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 less 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.

NOTE 02_STAFF COSTS

DKK MILLION

	2017	2016
Wages, salaries and remuneration	0.0	0.0
Pensions	0.0	0.0
Other social security costs	0.0	0.0
Total	**0.0**	**0.0**
Board of Directors	**0.0**	**0.0**
Remuneration	0.0	0.0
Pensions	0.0	0.0
Total	**0.0**	**0.0**
Average number of employees	**0.0**	**0.0**

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 4.11% of the shares in KMD Holding ApS. See Note 24 to the consolidated financial statements for further information.

PARENT COMPANY
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 03_FINANCIAL INCOME

DKK MILLION

	2017	2016
Interest income	0.0	0.0
Foreign currency translation adjustments	0.5	0.4
Interest income, Group enterprises	0.5	0.0
Carrying amount at 31 December	**1.0**	**0.4**

NOTE 04_FINANCIAL EXPENSES

DKK MILLION

	2017	2016
Interest expenses	1.5	1.1
Foreign currency translation adjustments	0.2	1.2
Interest expenses, Group enterprises	0.0	0.0
Total	**1.7**	**2.3**

NOTE 05_TAX ON PROFIT FOR THE YEAR

DKK MILLION

	2017	2016
Current tax	0.0	0.1
Change in deferred tax	0.0	0.0
Total	**0.0**	**0.1**
Prior-year adjustments	0.0	0.0
Total	**0.0**	**0.1**

PARENT COMPANY
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 06_EQUITY INVESTMENTS IN GROUP ENTERPRISES

DKK MILLION

	2017	2016
Cost at 1 January	1,311.1	1,311.1
Additions	0.0	0.0
Dividends	0.0	0.0
Disposals	0.0	0.0
Cost at 31 December	1,311.1	1,311.1
Accumulated write-downs at 1 January	0.0	0.0
Write-downs for the year	0.0	0.0
Accumulated write-downs at 31 December	0.0	0.0
Carrying amount at 31 December	**1,311.1**	**1,311.1**

Group enterprise	Domicile	Currency	Ownership interest	Equity	Profit after tax
AI Keyemde 2 ApS	Ballerup, Denmark	DKK MILLION	100%	1,310.8	0

NOTE 7_SHARE CAPITAL

DKK

	2017	2016
The Parent Company's capital is made up as follows:		
A shares	20,853,808	20,853,808
A2 shares	15,000	15,000
B shares	890,051	890,051
C shares	5,000	5,000
Total	**21,763,859**	**21,763,859**

PARENT COMPANY
NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 8_RELATED PARTIES

THE COMPANY HAS HAD THE FOLLOWING TRANSACTIONS WITH RELATED PARTIES:

DKK MILLION

	2017	2016
Trading and balances with related parties comprise:		
Sale of goods and services, Group enterprises	0.0	0.0
Purchase of goods and services, Group enterprises	0.0	0.0
Interest income, Group enterprises	0.5	0.4
Interest expenses, Group enterprises	0.0	0.0
Receivables, Group enterprises	27.6	0.1
Payables, Group enterprises	219.8	219.8

See Note 24 to the consolidated financial statements for further information on transactions with related parties.

NOTE 09_EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred since the balance sheet date that have a material impact on the Company’s financial position at 31 December 2017.

NOTE 10_DISTRIBUTION OF PROFITS

The profit for the year on DKK -0.8 million is proposed to be distributed to retained earnings.

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 2017 for KMD Holding ApS.

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. 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 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017.

In our opinion the Parent Company financial statements provide a fair presentation of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

In our opinion 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, 5 March 2018

Executive Board

Eva Berneke CEO	Jannich Kiholm Lund CFO

Board of Directors

Jens Due Olsen Chairman	Léo Apotheker	Morten Hübbe
Michael Christiansen	John Woyton	Thomas Weisman

STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KMD HOLDING APS

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 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

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 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of KMD Holding for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements, unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

_ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

_ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

_ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

_ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

_ Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

_ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 5 March 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Mikkel Sthyr
State Authorized Public Accountant
MNE no. 26693

Leif Ulbæk Jensen
State Authorized Public Accountant
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KMD'S ANNUAL REPORT 2017

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