

Forsikringens Datacenter A/S (FDC)

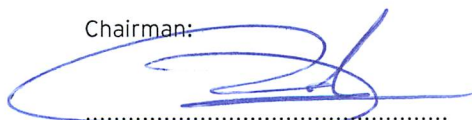
Lautrupvang 3 A, DK-2750 Ballerup

CVR no. 10 31 76 30

Annual report 2017

Approved at the Company's annual general meeting on 28 February 2018

Chairman:



Ramon Zanders





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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Forsikrings Datacenter A/S (FDC) for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Ballerup, 28 February 2018
Executive Board:


.....
Birthe Elkjær
CEO

Board of Directors:


.....
Ramon Zanders
Chairman
.....
Jan Hendrik van Deenen
.....
Ivo Martinus Cornelis van
den Heuvel
.....
Frank Høst Meyer
.....
Gitte Måjland Hansen

Independent auditor's report

To the shareholders of Forsikringens Datacenter A/S (FDC)

Opinion

We have audited the financial statements of Forsikringens Datacenter A/S (FDC) for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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

Independence

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 rules and requirements.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 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 as to 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 the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ 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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

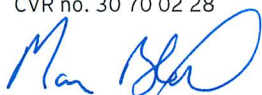
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 February 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Mona Blønd
State Authorised Public Accountant
MNE no.: mne11697



Anders Duedahl-Olesen
State Authorised Public Accountant
MNE no.: mne24732



Management's review

Company details

Name	Forsikringens Datacenter A/S (FDC)
Address, Postal code, City	Lautrupvang 3 A, DK-2750 Ballerup
CVR no.	10 31 76 30
Established	1 July 1986
Registered office	Ballerup
Financial year	1 January - 31 December
Website	www.fdc.dk
E-mail	info@fdc.dk
Telephone	+45 44 65 45 00
Telefax	+45 44 65 48 84
Board of Directors	Ramon Zanders, Chairman Jan Hendrik van Deenen Ivo Martinus Cornelis van den Heuvel Frank Høst Meyer Gitte Måylund Hansen
Executive Board	Birthe Elkjær, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2017	2016	2015	2014	2013
Key figures					
Revenue	305,885	309,003	315,712	352,989	345,237
Operating profit/loss	31,924	4,947	-17,966	-5,201	2,378
Net financials	-1,009	352	-1,461	-1,564	-2,144
Profit/loss for the year	23,800	3,998	-17,780	-10,117	591
Balance sheet					
Total assets	132,498	130,325	140,313	192,233	153,292
Equity	72,214	48,414	44,416	62,196	72,313
Cash flows					
Cash flows from operating activities	7,673	7,820	57,783	-7,238	15,266
Net cash flows from investing activities	-23	-55	-2,301	-7,870	-15,994
Investment in property, plant and equipment	-71	-55	0	-484	-4,083
Cash flows from financing activities	0	0	0	0	-113
Financial ratios					
Operating margin	10.4%	1.6%	-5.7%	-1.5 %	0.7 %
Solvency ratio	54.5%	37.1%	31.7%	32.4%	47.2%
Return on equity	39.5%	8.6%	-33.4%	-15.0%	0.8%
Other					
Average number of employees	199	231	281	300	310

Management's review

Business review

Vision

FDC's role is to provide solutions that lower our customers' costs by utilizing technology and standard applications and to build a bridge between our customer and the insured, hence retaining and providing new engagements. Using FDC as solution provider will lower the IT costs with a positive impact on the customers' administration costs. We are proud to be able to offer solutions that provide the insurance and pension sector with the IT foundations needed to win in tomorrow's market. The focused and ambitious companies that have already selected our platform will undoubtedly stay on the innovative course they have set for themselves.

Business area

FDC offers three business models:

- ▶ Large scale operations, delivered at Saas (Software as a Service), which is based on the F2100 common IT platform.
- ▶ Application Management (special customer solution) & Operation.
- ▶ Guidewire: implementation, application management and hosting.

We are able to provide operational reliability at known costs in our datacenter for the Insurance industry. We provide implementation of standard systems for both Insurance and Pension based on our shared model for implementation and innovation.

FDC is a well established supplier with more than 50 years of business experience. Our office is located in Ballerup. We possess detailed insight in processes and techniques within both the Insurance and Pension area. We are able to design solutions based on our business insight and experience, in order to deliver on the time, scope and price agreed. We continue to develop our project model to reflect the need for fast development combined with project management towards agile delivery. We have built a global delivery model in compliance with regulation to expand our capacity and reduce development costs.

Financial review

In 2017, the Company's revenue amounted to DKK 305,885 thousand against DKK 309,003 thousand last year. The income statement for 2017 shows a profit of DKK 23,800 thousand against a profit of DKK 3,998 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 72,214 thousand. In the annual report for 2016, Management expected a profit in the range of DKK 3,000 thousand before tax. However, the reorganization and implementation of the new strategic directions as mentioned last year have been more positive in 2017 than expected. Management considers the Company's financial performance in the year satisfactory.

FDC have proposed dividend for the year of DKK 10,000 thousand. Additionally FDC approved an interim dividend to the previous shareholders of DKK 55,000 thousand on an extraordinary general meeting the 2 January 2018. We refer to the section "Events after the balance sheet date".

Non-financial matters

Clients

In 2017, we continued to maintain a good relationship with our clients, and our focus is to develop the relationship even further with strategy workshops to maintain the F2100 solution. We deliver according to our long term contracts. We take in new projects from clients with new product development where we support the IT enabling of our customers' future offering and daily operation based on F2100.

In 2017 we continued to deliver new functionalities for PensionDanmark's solution and other clients in the Life & Pension business to expand enabling of standard process in our standard platform.

We are building our country layer for the three Nordic countries starting with Denmark. This will include all needed integrations and related business logic, closing the gaps between Nordic insurance legislation and the Guidewire standard software and finally a translation of insurance terms.

Management's review

Knowledge resources

In 2017, we employed an average of 199 employees and our employees within the field of IT technology are highly qualified within IT as well as insurance and pension. Many of our developers have obtained level 4 or higher from the Danish Insurance Training Academy (Forsikringsakademiet), and they all have solid IT qualifications. Within the area Life and Pension, FDC has employees with qualifications as actuaries. We maintain a high level of expertise - and we continuously succeed in recruiting and maintaining our employees. In our opinion, we are the company in the Nordic countries with the largest number of analysts and developers with actual experience within development of IT for insurance and pension.

In 2017, we have started a transformation of FDC into agile software development following the SAFe framework. We expect this will lead to shorter time-to-market and a higher quality for our customer. We have trained all employees in SAFe and a number is now certified leaders in the Agile roles.

Special risks

Business risks

We offer our IT standard solution F2100 and we develop customized solutions within Insurance and Pension. We base our business on long term contracts for maintenance and operations. We develop specific solutions based on own development or third party solutions and components, mainly based on time and material.

Based on this, FDC's risks are limited to the ability to deliver the specific solutions on time to the estimated price and to have add on sale on the developed solutions for other clients.

Price risks

The majority of FDC's staff costs and direct production costs relate to expenses to hardware and software as well as other expenses and consumables. FDC's staff costs, wages and pension contributions to FDC employees are in line with market trends. As for expenses to hardware and software as well as other expenses and consumables, FDC is only dependent on specific suppliers to a limited extent. Consequently, FDC can obtain very competitive prices. Our projects are delivered on basis of time and material with low risk.

Currency risks

The majority of FDC's invoicing takes place in Danish kroner and a minor part takes place in Norwegian kroner. FDC considers the currency risk as being limited.

Interest risks

FDC has only to a limited extent long term liabilities. Consequently, the interest risk is limited.

Statutory CSR report

Environment and Climate

Since FDC is not an energy-heavy company, we do not have direct policies and plans regarding environment and climate.

However, it is our intention to reduce the impact on the environment as far as possible, partly supported by having focus on alternative and eco-friendly initiatives, increase employee awareness and skills, and to use video and Skype meetings instead of air travel, where possible.

Employees and Human Rights

We aim at creating the best possible working environment for our employees, e.g. by increasing the employees' influence through a program for annual performance reviews and employee satisfaction surveys. We have an Environment, health and safety policy and a number of health related offers to our employees, e.g. health insurance.

In 2017, we have continued meetings in a cooperation committee and a security committee that handles APVs (workplace assessment), including assessment of the indoor climate, ergonomics and psychic working environment and other general activities which affect the working environment in FDC.

We focus continuously on sick leave, and there is always a dialogue between the manager and the employee regarding long-term absence, just as we discuss sick leave in the annual employee interviews.

Management's review

In accordance with previous years, the sick leave rate continued to be low. No work accidents were reported in 2017.

Events after the balance sheet date

The previous shareholders have decided sell FDC to TSS Europe B.V. The following is a quote from the press release from the 3th January 2018.

As board chairman of FDC, Allan Luplau, CEO of Sygeforsikringen "danmark", states:

"Through the recent years, FDC has received numerous enquiries from potential buyers. As owners, we are always obliged to assess if we are the right owners of the company or if a new owner could add more value to the company, to the benefit of the customers as well as the employees. The owners of FDC have assessed that this is the case with the sale of FDC to TSS.

In connection with the sale, an interim dividend of DKK 55,000 thousands has been paid to the previous shareholders the 2 January 2018.

Except from the above, no other events have occurred after the balance sheet date that materially affect the financial position of the company.

Outlook

We expect to get integrated into the TSS operation model and we expect adjustment of our purpose and way going forward. We will focus more on 'innovate around the core' compared to the previous years. This will give our customer the possibility to stay on the F2100 for longer timer and still have a modern system with new features and a long range of benefits with low risks

In 2018, FDC expects to maintain its clients and revenue at the same level as in 2017.

We expect a positive profit for 2018.

We expect the cash flow effect from operations in 2018 to be positive because of prepayments of customer contracts and expected profit.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
	Revenue	305,885	309,003
	Cost of sales	-52,420	-57,574
	Other operating income	1,127	0
	Other external expenses	-54,041	-51,882
	Gross margin	200,551	199,547
2	Staff costs	-159,635	-184,451
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8,992	-10,149
	Profit before net financials	31,924	4,947
3	Financial income	817	686
4	Financial expenses	-1,826	-334
	Profit before tax	30,915	5,299
5	Tax for the year	-7,115	-1,301
	Profit for the year	23,800	3,998

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Development projects in progress and prepayments for intangible assets	0	8,700
		<u>0</u>	<u>8,700</u>
7	Property, plant and equipment		
	Plant and machinery	0	221
	Other fixtures and fittings, tools and equipment	75	123
		<u>75</u>	<u>344</u>
	Financial assets		
	Other securities and investments	60	70
11	Deferred tax assets	3,541	5,311
		<u>3,601</u>	<u>5,381</u>
	Total non-current assets	<u>3,676</u>	<u>14,425</u>
	Current assets		
	Receivables		
	Trade receivables	20,145	10,861
	Receivables from associates	16,590	22,890
	Income taxes receivable	1,754	0
	Other receivables	183	4,954
8	Prepayments	17,622	12,317
		<u>56,294</u>	<u>51,022</u>
	Cash	<u>72,528</u>	<u>64,878</u>
	Total current assets	<u>128,822</u>	<u>115,900</u>
	TOTAL ASSETS	<u>132,498</u>	<u>130,325</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	3,000	3,000
	Retained earnings	59,214	45,414
	Dividend proposed for the year	10,000	0
	Total equity	<u>72,214</u>	<u>48,414</u>
10	Non-current liabilities		
	Other provisions	5,500	1,000
	Total non-current liabilities	<u>5,500</u>	<u>1,000</u>
	Current liabilities		
	Other provisions	6,519	18,409
	Trade payables	9,732	15,213
	Income taxes payable	0	2,995
	Other payables	38,533	38,654
	Deferred income	0	5,640
	Total current liabilities	<u>54,784</u>	<u>80,911</u>
	Total liabilities	<u>60,284</u>	<u>81,911</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>132,498</u></u>	<u><u>130,325</u></u>

- 1 Accounting policies
- 12 Contractual obligations and contingencies, etc.
- 13 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2017	3,000	45,414	0	48,414
14 Transfer, see "Appropriation of profit"	0	13,800	10,000	23,800
Equity at 31 December 2017	3,000	59,214	10,000	72,214

On the 2 January 2018 a proposed interim dividend of 55 mio. DKK was approved on an extraordinary general meeting. The matter has been described in details in the Management's Review.

Proposed dividend for the year amounts to 10 mio. DKK. The retained earnings going forward after interim dividend and proposed dividend for the year amounts to 4.2 mio. DKK.

Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	23,800	3,998
15	Adjustments	3,942	12,092
	Cash generated from operations (operating activities)	27,742	16,090
16	Changes in working capital	-8,965	-9,108
	Cash generated from operations (operating activities)	18,777	6,982
	Interest received, etc.	817	686
	Interest paid, etc.	-1,826	-334
	Income taxes paid	-10,095	486
	Cash flows from operating activities	7,673	7,820
	Additions of property, plant and equipment	-71	-55
	Disposals of property, plant and equipment	48	0
	Cash flows to investing activities	-23	-55
	Net cash flow	7,650	7,765
	Cash and cash equivalents at 1 January	64,878	57,113
17	Cash and cash equivalents at 31 December	72,528	64,878

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Forsikringens Datacenter A/S (FDC) for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

Last year the the annual report was prepared i accordance with the provisions in the Danish Financial Statements Act applying to large-sized raporting class C.

These changes only reflects presentations and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the rendering of services, which comprises IT operation and development, is recognised as revenue when the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Development of systems which are delivered over several accounting periods is recognised at the sales value of the performed work (the production method). Recognition takes place when delivery of the agreed tasks takes place and when total income and costs on the agreement and the stage of completion at the balance sheet date can be reliably measured and when an outflow of economic benefits, including payments, is probable.

Time spent and costs incurred are recognised in cost of sales, other external costs or staff costs.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Other operating income

Other operating income comprise items of a secondary nature relative to the entity's core activities, including gains on the sale of non-current assets.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cost of sales

Production costs comprise costs for acquisition and rent of hardware and software as well as for raw materials and consumables, etc. Production costs include amortisation of development projects in progress that are connected to ongoing contracts with customers.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Development costs comprise production costs, salaries and amortisation directly or indirectly attributable to the Company's development activities. Following the completion of the development work, development costs are amortised over the estimated useful life.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Development projects are capitalised if they are clearly defined and identifiable and the following recognition criteria can be satisfied:

- The technical feasibility of completing the project can be demonstrated.
- Plans are to produce and market the product or to use the product or the process.
- Sufficient technical and financial resources to complete and use or sell the project are available.
- It is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists.
- The cost can be made up reliably.

Development costs not satisfying the above criteria are expensed in the income statement as incurred.

The cost of development projects is measured at direct costs incurred as well as a portion of costs indirectly attributable to the individual development projects.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Other securities and investments

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash and cash equivalents comprise cash and bank balances.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax is measured at the tax rate applicable at the expected time of realisation. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term bank loans.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

DKK'000	2017	2016
2 Staff costs		
Wages/salaries	138,342	160,377
Pensions	20,840	23,550
Other social security costs	453	524
	<u>159,635</u>	<u>184,451</u>
Average number of full-time employees	<u>199</u>	<u>231</u>

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

The Board of Directors does not receive remuneration.

Financial statements 1 January - 31 December

Notes to the financial statements

	2017	2016
DKK'000		
3 Financial income		
Other interest income	11	4
Exchange gain	806	682
	<u>817</u>	<u>686</u>
4 Financial expenses		
Other interest expenses	356	234
Exchange losses	1,449	74
Other financial expenses	21	26
	<u>1,826</u>	<u>334</u>
DKK'000		
5 Tax for the year		
Estimated tax charge for the year	5,345	2,995
Deferred tax adjustments in the year	1,770	-1,811
Tax adjustments, prior years	0	117
	<u>7,115</u>	<u>1,301</u>
6 Intangible assets		
		Development projects in progress and prepayments for intangible assets
DKK'000		
Cost at 1 January 2017		<u>35,585</u>
Cost at 31 December 2017		<u>35,585</u>
Impairment losses and amortisation at 1 January 2017		26,885
Amortisation in the year		8,700
Impairment losses and amortisation at 31 December 2017		<u>35,585</u>
Carrying amount at 31 December 2017		<u>0</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	21,732	2,562	24,294
Additions in the year	0	71	71
Disposals in the year	-16,353	-553	-16,906
Cost at 31 December 2017	<u>5,379</u>	<u>2,080</u>	<u>7,459</u>
Impairment losses and depreciation at 1 January 2017	21,511	2,439	23,950
Depreciation in the year	208	84	292
Reversal of amortisation/depreciation and impairment of disposals	-16,340	-518	-16,858
Impairment losses and depreciation at 31 December 2017	<u>5,379</u>	<u>2,005</u>	<u>7,384</u>
Carrying amount at 31 December 2017	<u><u>0</u></u>	<u><u>75</u></u>	<u><u>75</u></u>

8 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including licenses & other services, DKK 17,622 thousand.

DKK'000	<u>2017</u>	<u>2016</u>
9 Share capital		
Analysis of the share capital:		
3,000,000 shares of DKK 1.00 nominal value each	<u>3,000</u>	<u>3,000</u>
	<u><u>3,000</u></u>	<u><u>3,000</u></u>

No shares carry special rights.

The Company's share capital has remained DKK 3,000 thousand over the past 5 years.

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Notes to the financial statements

10 Non-current liabilities

DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other provisions	12,019	6,519	5,500	0
	12,019	6,519	5,500	0

Provisions primarily include expected obligation of relocation of leases and costs of warranty commitments, etc., relating to new system supplies and service contracts on fixed price contracts, when the supplies are confirmed by the recipient.

DKK'000	2017	2016
11 Deferred tax		
Deferred tax relates to:		
Intangible assets	-519	974
Property, plant and equipment	-378	-446
Liabilities	-2,644	-5,839
	-3,541	-5,311

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	60,895	47,099
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Rent and lease liabilities include a rent obligation totalling DKK 8,987 thousand in interminable rent agreements with remaining contract terms of 0-1 years. Furthermore, the Company has contractual obligations relating to licenses and maintenance of systems, totalling DKK 51,908 thousand, with remaining contract terms of 4 years.

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13 Related parties

Forsikringsens Datacenter A/S (FDC)'s related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
- Related party exercising control as per 31 December 2017		
Nykredit Forsikring A/S	Copenhagen	Ownership of over 5% of share capital
Sygeforsikringen "Danmark", GS	Copenhagen	Ownership of over 5% of share capital
Bupa Denmark Services A/S	Copenhagen	Ownership of over 5% of share capital
- Related party exercising control as per 3 January 2018		
TSS Europe B.V.	Netherlands	Ownership of 100% of shares capital

Transactions with related parties

All transactions with related parties during the financial year is conducted in the normal course of business.

DKK'000	2017	2016
14 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	10,000	0
Retained earnings	13,800	3,998
	<u>23,800</u>	<u>3,998</u>

On 2 January 2018, a proposed interim dividend of DKK 55 million was approved at an extraordinary general meeting. The matter has been described in details in the Management's Review.



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Notes to the financial statements

DKK'000	2017	2016
15 Adjustments		
Amortisation/depreciation and impairment losses	8,992	10,149
Provisions	-11,890	-811
Financial income	-817	-686
Financial expenses	1,826	334
Tax for the year	7,115	1,301
Other adjustments	-1,284	1,805
	<u>3,942</u>	<u>12,092</u>
16 Changes in working capital		
Change in receivables	5,272	8,873
Change in trade and other payables	-14,237	-17,981
	<u>-8,965</u>	<u>-9,108</u>
17 Cash and cash equivalents at year-end		
Cash according to the balance sheet	<u>72,528</u>	<u>64,878</u>
	<u>72,528</u>	<u>64,878</u>