CSC Danmark A/S

Company Registration No 15 23 15 99

Retortvej 8, 2500 Valby.

Annual report 2016/17

The annual report is presented and adopted on the Annual General Meeting on 4. September 2017

Chairman of the Annual General Meeting

Jukka Jantti

CSC Danmark A/S
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CSC Danmark A/S
Company Details

CSC Danmark A/S

Retortvej 8

2500, Valby

Company Registration No: 15 23 15 99

Financial year: 1 April – 31 March

Municipality of domicile: Copenhagen

Phone: +45 3614 4000

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Internet: www.dxc.technology.com/dk

Board of Directors

Jørgen Jakobsen, Chairman

Charlotte Grønfeldt Lundblad

Ebba Waltre

Karsten Lou Nielsen*

Theis Geran*

*Elected by Employees

Executive Board

Charlotte Grønfeldt Lundblad, Managing Director

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab

CSC DANMARK A/S
Management's statement

The Board of Directors and the Executive Board have today considered and approved the annual report of CSC Danmark A/S for the financial year 1 April 2016 to 31 March 2017.

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

In our opinion the financial statements give a true and fair view of the Company's financial position at 31 March 2017 and of its financial performance for the financial year 1 April 2016 – 31 March 2017.

We believe that the management report contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 4. September 2017

Executive Board

Charlotte Grønfeldt Lundblad
Managing Director

Board of Directors

Jørgen Jakobsen
Chairman

Charlotte Grønfeldt Lundblad

Ebba Waltre

Karsten Lou Nielsen

Theis Geran

To the shareholders of CSC Danmark A/S

Report on the financial statements

We have audited the financial statements of CSC Danmark A/S for the financial year 01.04.2016 - 31.03.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31-03-2017 and of the results of its operations for the financial year 01.04.2016 – 31.03.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 4. September 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard	Kåre Konge Breindal
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Group overview / structure

Parent company

CSC Danmark A/S
Copenhagen, Denmark
Nominal DKK 200.000.000

Subsidiaries

100% — CSC Scandihealth A/S
Aarhus, Denmark
Nominal DKK 25.000.000

100% — CSC Airline Solutions Denmark A/S
Copenhagen, Denmark
Nominal DKK 5.000.000

100% — CSC Sverige AB
Stockholm, Sweden
Nominal SEK 15.000.000

100% — CSC Norge AS
Oslo, Norway
Nominal NOK 23.700.000

Management report

	2016/17 DKKm	2015/16 DKKm	2014/15 DKKm	2013/14 DKKm	2012/13 DKKm
Financial highlights					
Key figures					
Revenue	984	1,094	1,440	1,610	1,713
Results from operating activities	(31)	(344)	262	139	(68)
Net financial costs	(6)	(23)	(34)	(28)	(29)
Profit/loss for the year	(88)	(930)	116	423	(248)
Equity	380	65	879	804	449
Balance sheet total	2,267	2,354	2,921	3,180	2,928
Investment in Property, plant & equipment	16	26	35	83	64
Average operating assets	2,310	2,637	3,051	2,974	2,602
Ratios*					
Operating margin (%)	(3.2)	(31.4)	18.2	8.6	(5.6)
Return on operating assets (%)	(1.4)	(13.0)	8.6	4.7	(3.6)
Return on equity (%)	(39.4)	(197.2)	13.8	77.8	(59.2)
Equity Share (%)	16.8	2.8	30.1	25.3	11.7

*Key ratios are calculated in accordance with the "The Danish Society of Financial Analysts recommendations & Financial Ratios 2015"

Core business activity

The CSC Danmark A/S group consists of a number of companies which together serve the public sector, the health sector and private enterprises in several industries across Nordic countries.

CSC Danmark A/S group's core business activity is to lead clients on their digital transformation journey, providing innovative next-generation technology solutions and services that leverages deep industry expertise, global scale, technology independence and an extensive partner community. Our people help commercial and public clients solve their toughest challenges by modernizing their business processes, applications and infrastructure with next-generation technology solutions.

Development of activities and financial matters

Result for the year

CSC Danmark A/S (parent company) generated revenues of 984.1 mDKK (2015/16: 1,094.1 mDKK). The total group revenue was 2,450 mDKK (2015/16: 2,395 mDKK). The reduction in revenue in the parent company is related to expired client contracts. The growth in group revenue is in line with management's expectations for the year.

The loss from operating activity of 31.4 mDKK is a significant improvement compared to the loss of 343.8 mDKK generated in 2015/16.

Loss for the year amounts to 87.6 mDKK (2015/16: loss of 930.4 mDKK).

The loss from operating activities and net loss for the year are lower than expectations and management considers the result as a significant positive development compared to last year.

Evaluation of last year's expectations

In the annual report for the fiscal year 2015/16, the expectation for 2016/17 was to improve the result compared to last year. The realized result has improved significantly compared to 2015/16.

The management's expectation to both revenue and earnings from operating activities excluding restructuring investments were met due primarily to higher revenue coming from subsidiaries.

Financial resources

In FY 17 there is a capital contribution of 380.2 DKKm due to Danish recapitalisation from CSC Computer Sciences International Operations Limited.

The Danish company is a subsidiary in the CSC group and is funded by combination of equity, intercompany loans and group bank facilities decided by the parent company. The capital structure of the company has not been optimized for a standalone purpose. Of the total current liabilities of 1,869.3 mDKK management consider 1,633.9 mDKK of debt related to intercompany loans, group bank facilities and prepayments from customers as non-current as they are revolving facilities. The Danish company has received a letter of support from the ultimate parent to secure that the company has sufficient capital resources.

Core business activity (continued)

Expectations for the future

In the fiscal year 2017/18 management expects revenues in line with the fiscal year 2016/17 as a result of winning contracts with new and existing customers to cover up for the loss of business especially in the Danish market. The main drivers for growing the Nordic business are the launching of new and standardized next generation IT solutions within end-user services, cloud services, cyber security, mobility solutions, big data & analytics solutions, and application modernization and transformation.

Management expects earnings from operating activities excluding restructuring cost for the coming year to be improved compared with 2016/17 due to new logo wins. Future results are subject to uncertainties and risks many of which are beyond the company's control.

Uncertainty related to recognition and measurement

Deferred Tax

The value of the company's deferred tax assets is nil. The assessment is based on estimates and budget assumptions for the next five years and are subject to uncertainty. Future changes in estimates or budget assumptions can cause considerable adjustments in valuations of the recognised deferred tax asset.

CSC's Danish activities are part of an ongoing transfer pricing audit in Denmark.

The audit is regarding the disallowance of deductibility for cost related to global outsourcing services, other services and certain restructuring cost.

SKAT have made a final ruling for the tax years 2009-2012 which have led to an accumulated adjustment of DKKm 63.5 for CSC Danmark A/S. The audit for the income year 2013 have not yet been finalised.

The final adjustment for the tax year 2013 regarding management fees may result in payable taxes and may influence deferred tax.

The distribution and reimbursement within the joint taxation should however be recalculated for all the years in question. The adjustment will influence deferred tax.

Investment in subsidiaries

The recoverable amount for investments in subsidiaries is based upon the estimated capital value of the cash generating units (CGU).

Uncertainty related to recognition and measurement (continued)

A discount rate of 7,5%has been used when discounting the future cash flows, which is part of the valuation. The discount rate is based upon management's estimate over weighted average cost of capital. The terminal period assumes and includes an increase in inflation of 1,5%.

When calculating the capital value, it is necessary to make use of a series of assumptions in order to estimate future cash flows. The primary assumptions regard future cost-structure of the companies' services and developments in specific contracts with clients. This relates to; the acquisition of new contracts and the renegotiation of contracts with existing clients. Another important assumption is the realization of cost reductions in conjunction with the ongoing restructuring of the Nordic group.

The calculations are furthermore complicated by the uncertainty surrounding the economic situation in the markets in which the companies operate in as well as developments in interest and exchange rates.

Even a small future change in estimates or budget assumptions can cause considerable adjustments in valuations of the recognised goodwill.

Special risks

Risk management policy

As a result of its operations and financing, the Company is exposed to a number of financial risks e.g. changes in currency and interest rates, liquidity risks and credit risks. Management of financial risks is centralized and handled by CSC Danmark A/S. The general framework for financial risk management is determined in the CSC Group's finance policy which is applicable to all CSC entities worldwide.

Operational risks

The Company's most significant operational risk is related to its ability to be price-competitive as well as deliver solutions to clients who demand a highly-qualified workforce at a competitive price. It is thus essential, that the workforce is continuously moulded to fit the actual demands of clients. Furthermore, it is important that the Company continuously innovate in order to be on the forefront in terms of IT systems in general.

Market risks

The Company's most significant market risk is tied to its ability to be strongly positioned within the important Nordic markets in which it operates.

Currency risks

The Company invoices primarily in DKK and SEK, while the bulk of the costs for salary and other external costs are incurred in DKK. The Company has limited exposure to currency exchange fluctuations in SEK. In general the Company is hedged against the risks by using currency forward contracts. However no speculative positions are held.

Interest risks

The Company is exposed to the changes in interest rates.

The interest bearing debt is held partially in variable and fixed intercompany loans as well as external variable loans. Changes in interest rates will have a moderate and indirect effect on the Company's earnings, due to the Company's involvement in the Group's cash pool scheme.

Special risks (continued)

Liquidity risks

The Company is dependent on having access to long-term financing. This is why the Company adheres to the policy of having unused credit facilities that are sufficient to cover the planned operations.

The Company's financial resources are comprised of cash and cash equivalents and unutilized credit facilities. Cash pools have been established in the relevant currencies (DKK, SEK, NOK & EUR).

The ultimate parent has issued a letter of support to secure that the company has sufficient capital resources.

Credit risks

Credit risks tied to financial assets relate to those values which are recognised in the Company's balance sheet. The Company has no significant business risks related to or dependence of one customer or business partner. However, the Company has a significant exposure to a few public customers.

Intellectual property

The Company's business model seeks to create value for clients by delivering IT solutions which are adaptable to future needs. This makes large demands on knowledge based resources and business processes.

In order to be able to deliver these solutions, it is paramount that the Company is able to recruit and retain individuals who are highly educated within IT.

In order to ensure competitive and high quality of services delivered, a high competency level is required. Therefore the Company offers internal and external training. Further education gives the employee the opportunity to develop competencies and gain qualifications which strengthen the individual professional development.

Corporate social responsibility

CSC is an environmentally aware organization and continually strives to reduce the detrimental environmental effects of its operations by way of process optimization, paper use, environmentally friendly cars and cooling of server and data centers.

CSC Danmark A/S, which is the head office for CSC Nordics, is ISO9001/ISO20000 certified. This commits the Company to optimize daily routines and processes in order to minimize the use of resources. The Company's subsidiaries are covered by this certification.

In addition to this CSC Danmark A/S is ISO14001 environmentally certified, which is an important parameter for the Group's clients. The Company and its subsidiaries benefit by this certification in the following areas.

Cooling of servers and data centers occurs by using cold air in winter. The effect of server virtualization has also saved on Kwh used, due to less physical servers. These methods have had a positive effect on electricity usage, the external environment as well as the internal work environment in the Company's server room.

Corporate social responsibility (continued)

CSC Danmark A/S is not liable to prepare green financial statements.
Corporate social responsibility in CSC is comprised of five pillars:

- Clients. Providing our customers with innovation to help resolve pressing global issues associated with climate change and natural resource usage.
- Employees. Striving to be the employer of choice, offering professional development, ensuring staff well-being and valuing creativity, respect and diversity.
- Community. Developing sustainable business-community partnerships to address local economic, social and environmental issues and contribute to sustainable development.
- Environment. Effectively managing our internal environmental sustainability, across energy, CO2 emissions, waste and water and natural resource use.
- Governance. Running our global business with high ethical, environmental and supply chain standards.

In CSC Denmark the focus in this fiscal year has been around employees, community and environment and initiatives such as Women in Tech where CSC is sponsoring different networks focused around female technologist and leaders employed by CSC. Creating an environment and culture where female technologists and leaders are role models to other women wanting to start at career within tech businesses.

Please see the comments sections of the 2017 report of the ultimate parent company Computer Sciences Corporation at http://www.dxc.technology/investor_relations/insights/141471-2017_annual_report, during January to March, 2017 no changes have occurred relating to policies and results of actions.

Share of the under-represented gender

CSC Danmark A/S has set a target of at least 40% female board members in 2018. The current status is that there are two elected female member (67%).

CSC will try to ensure, at least one female candidate is presented to all senior management positions. If two candidates are equal on qualifications the female candidate will be chosen. No changes in the senior management positions in current year.

CSC has implemented employee performance appraisal reviews and personal development plans for all employees, to ensure that all employees are measured up against individual goals, and get immediate feedback to these. Development plans are set to reach the best possible use of the employee qualifications. The plans are consolidated in a system, to ensure that CSC has a cross organizational overview of qualifications. This has enabled the company to utilize the employee qualifications in the best way.

It is important to CSC that female employees find that they have the same opportunities for career development and access to management positions as their male colleagues. CSC has flexible working conditions to ensure work life balance.

Research and development

This year, the focus has been on specific development plans of new IT solutions. These plans are to ensure that there is strategic fit between the Company's activities and the demands from the market, so that the Company's new and innovative IT products and solutions can be brought to the market and our clients faster than those of competitors.

Subsequent events

No events have occurred after the fiscal year end up until this date that affect the balance sheet and subsequently this annual report.

On 24 May 2016, Computer Sciences Corporation announced that its Board of directors had unanimously approved a plan to merge Computer Sciences Corporation group with Enterprises services segment of Hewlett Packard Enterprises (HPE). The merger was completed by March 2017 with effective date 1 April 2017 under the new name DXC technology. CSC Danmark A/S will change the name accordingly during the following year.

This annual report for CSC Danmark A/S for the financial year 2016/17 has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C (large).

The accounting policies applied for this annual report are consistent with those applied last year.

In accordance with section 112, 2 of the Danish Financial Statement Act, CSC Danmark A/S has not prepared consolidated financial statements.

In accordance with provision 86, 4 of the Danish Financial Statements Act, the Company has omitted to prepare a cash flow statement as the cash flow is part of the cash flow statement for the group annual report for DXC Technology Company, Tysons, Virginia, USA.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that – as a result of a prior event – future economic benefits will flow to the Company, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Financial assets and liabilities are measured on the basis of amortised cost – within which a fixed interest rate is used. Amortised cost is calculated as the purchase price inclusive of any accumulated amortised additions/deductions of the difference between the cost price and the nominal value.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income hereunder valuation adjustments of financial assets and liabilities measured at fair value or amortised cost is recognised in the income statement when earned. Costs that have been incurred in order to generate earnings are recognised in the income statement hereunder depreciation, write downs, provisions.

Foreign currency translation

On initial recognition, foreign currency transactions are converted by applying the exchange rate as at the transaction date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Foreign currency translation (continued)

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are converted using the exchange rate at the balance sheet date. The difference between the spot exchange rate and the date when the receivable or liability is realized, is recognised in the income statement under financial income and costs.

When recognising foreign subsidiaries that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date.

Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments not complying with the requirements for hedging are recognised directly in income statement.

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made, risk has transferred to the buyer, if the revenue can be calculated reliably and it is expected that payment is received. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the fixed consideration net of VAT and duties charged on behalf of a third party.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

Other operating income include income of a secondary nature compared to the Company's core business activities.

Other external expenses

Other external expenses include expenses for distribution, sale, marketing, administration, premises, loss on bad debts etc.

Other external expenses also include research costs and costs of development projects that do not meet the criteria for recognition in the balance sheet. In addition, provisions for loss on contract work in progress are recognised.

Personnel expenses

Personnel expenses include salaries and wages as well as social insurance contributions, pension contributions etc. for the Company's employees.

Financial income and expenses

These items include interest income and expenses, realised and unrealised capital gains and losses on payables and transactions in foreign currencies etc. as well as tax surcharge and tax relief under the Danish Tax Prepayment scheme.

Income tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is measured as the difference between cost of the investments and the pro rata share of the fair value of the assets and liabilities acquired measured at fair value of the date of acquisition.

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Acquired licences

Acquired intellectual property rights in the form of licences are measured at cost less accumulated amortisation and impairment losses. Licences are amortised over the term of the agreement usually 3 – 10 years.

Gain or loss on the delivery of licenses is calculated as the difference between the sales price inclusive of deductions such as sales costs and the accounting value at the time of sale. Gain or loss is recognised in the income statement as a correction of write-ups or write-downs or under income from other operations if the sales price should exceed the cost price.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated

Cost includes the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Technical installations	15 years
Plant and machinery	3-10 years
Tools	10 years
Automobiles	5 years
Other equipment	3-5 years
Leasehold	3-5 years

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and plus or minus unrealised intra-group profits or losses.

The company's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and minus or plus amortisation of positive, or negative, goodwill is recognised in the income statement.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries is transferred to reserve for net revaluation according to the equity method under equity.
Investments acquired from companies within the group, are recognised at the time of takeover at fair value with a corresponding entry in equity.

Devaluation of fixed assets

The accounting value of intangible and fixed assets is evaluated yearly for indications of a decrease in value over and above that caused by depreciation and amortization.

If it becomes apparent that assets devalue, an impairment test is made of each and every asset or asset class. Assets are written down to the recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value.

A write down of receivables will be performed if there are objective indications that the receivable or portfolio of receivables have devalued. If a single receivable is deemed to have devalued, then the write down will be undertaken on an individual receivable.

Write downs are calculated as the difference between the accounting value of receivables and the present value of the expected cash flows.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried based on the stage of completion.

The stage of completion is determined as the ratio between actual and total budgeted costs on each project.

When it is probable that total costs incurred on each project will exceed total income on the project, the expected loss is recognised in the income statement.

When the sales value cannot be reliably measured, the sales value is measured at costs incurred or at a lower net realizable value.

On account invoices are deducted in the sales value. Each contract in progress is recognised as a receivable when the net value is positive and as a liability when prepayments exceed the sales value.

Sales promotion costs and costs related to obtaining the contracts are recognised in the income statement concurrently with the incurred costs.

Prepayments

Prepayments disclosed as current assets include incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Costs for conclusion of outsourcing contracts are recognised in prepayments and amortized over the contract period.

Tax receivable/payable and deferred tax

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year taxable income, adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the value of the carried forward taxable losses, are recognised in the balance sheet at their estimated realisable value, either to off-set future taxable income or deferred tax liabilities within the same legal entity or jurisdiction.

The company has entered into a joint taxation agreement. The actual Danish corporate tax is divided between the jointly taxed companies in proportion to their taxable income (distribution with reimbursement on losses).

Provisions

Provisions include expected loss from contracts in progress, costs regarding decided and announced restructuring etc. Provisions are recognised when the Company – due to a prior period event – has a legal or actual obligation and that fulfilling these obligations will lead to use of the Company's financial resources. Provisions are measured at net realizable value.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is likely that total costs will exceed total income from contract in progress a provision is made for the total loss estimated to result from the relevant contract.

Fair value of defined benefit plans in subsidiaries are calculated by actuars and gains/losses are recognised to equity in the period which they arise.

Leasing liabilities

Leasing liabilities regarding financially leased assets are recognised in the balance sheet as liabilities and are measured at the time the contact is entered at the current value of the future lease liability. The lease liability is measured at amortized cost price. The difference between current value and the nominal value of the leasing payments is recognised in the income statement over the contract period as a financial cost.

Leasing payments regarding operational leasing agreements are recognised linearly in the income statement, over the leasing period.

Other liabilities

Financial liabilities which include trade payables and liabilities to other group entities are measured at net realizable value which usually corresponds to nominal value.

Segment reporting

Information is given regarding the business segments and geographical markets. Segment information follows accounting principles, risk and internal financial controlling.

Financial highlights
The definition of key ratios is in accordance with "The Danish Society of Financial Analysts Recommendations & Financial Ratios 2015"

Operating margin (%) = $\dfrac{\text{Earnings from operating act.} \times 100}{\text{Revenue}}$

Return on operating assets = $\dfrac{\text{Earnings from operating act.} \times 100}{\text{Average operating assets}}$

Return on equity (%) = $\dfrac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Equity share (%) = $\dfrac{\text{Equity} \times 100}{\text{Total Assets}}$

Operating assets = Operating assets are all assets less Cash

CSC DANMARK A/S
Income statement for the period 1 April 2016 – 31 March 2017

	Note	2016/17 DKKm	2015/16 DKKm
Revenue	2	984.1	1,094.1
Other operating income		-	0.8
Other external expenses	3	(376.2)	(529.5)
Gross profit		**607.9**	**565.4**
Personnel expenses	4	(566.8)	(821.9)
Depreciation and amortization		(72.5)	(87.3)
Loss from operating activity		**(31.4)**	**(343.8)**
Result from investment in subsidiaries	10	(50.5)	(455.0)
Loss before financial items		**(81.9)**	**(798.8)**
Financial income		82.0	28.1
Financial expenses	5	(88.1)	(51.6)
Loss before income tax		**(88.0)**	**(822.3)**
Income tax	6	0.4	(108.1)
Loss for the year		(87.6)	**(930.4)**
Proposed distribution of profit/loss	7		

CSC DANMARK A/S
Balance sheet as at 31 March 2017

	Note	2017 DKKm	2016 DKKm
Goodwill		8.7	10.3
Acquired licenses		19.2	26.2
Intangible assets	8	**27.9**	**36.5**
Land and buildings		201.5	222.3
Plant and machinery		56.6	82.5
Other fixtures and fittings, tools and equipment		5.5	8.3
Leasehold improvements		1.7	2.5
Property, plant and equipment	9	**265.3**	**315.6**
Investment in subsidiaries	10	1,730.9	1,670.2
Other receivables	11	2.5	2.7
Deferred tax assets	12	-	4.9
Financial assets		**1,733.4**	**1,677.8**
Non-current assets		**2,026.6**	**2,029.9**
Trade receivables		100.3	194.7
Contract work in progress	13	4.1	-
Group entity receivables		95.4	74.1
Tax receivables, group contributions		5.3	6.1
Other receivables		0.6	2.9
Prepayments	14	34.4	46.2
Receivables		**240.1**	**324.0**
Cash and cash equivalents		-	-
Current assets		**240.1**	**324.0**
Assets		**2,266.7**	**2,353.9**

CSC DANMARK A/S
Balance sheet as at 31 March 2017

	Note	2017 DKKm	2016 DKKm
Share capital	15	200.0	200.0
Revaluation surplus		11.0	11.0
Retained earnings		169.3	(146.0)
Equity		**380.3**	**65.0**
Provisions	16	13.6	42.3
Provisions		**13.6**	**42.3**
Financial leasing liabilities		3.4	6.7
Group entities payables		-	360.5
Non-current liabilities	17	**3.4**	**367.2**
Current part of non-current liabilities	17	2.9	101.2
Bank debt		1,461.6	1,319.4
Contract Work in progress	13	-	4.8
Prepayments		9.4	17,7
Trade payables		79.1	61.4
Group entity payables		169.4	217.4
Other payables		147.0	157.5
Current liabilities		**1,869.4**	**1,879.4**
Liabilities other than provisions		**1,872.8**	**2,246.6**
Equity provisions and liabilities		**2,266.7**	**2,353.9**

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CSC DANMARK A/S
Statement of changes in equity for 1 April 2016 – 31 March 2017

	Share Capital DKKm	Revaluation Surplus DKKm	Net Revaluation Equity Method DKKm	Retained Earnings DKKm	Total DKKm
Equity as at 1 April 2016	200.0	11.0	-	(146.0)	65.0
Capital contribution	-	-	-	380.2	380.2
Loss of the year	-	-	-	(87.6)	(87.6)
Currency adjustments	-	-	-	22.8	22.8
Equity as at 31 March 2017	**200.0**	**11.0**	-	**169.4**	**380.4**

NOTES

1. Unusual circumstances and uncertainty related to recognition and measurement

There is no deferred tax asset in 2016/17. The assessment is based on estimates and budget assumptions for the next three years and are subject to uncertainty. Future changes in estimates or budget assumptions can cause considerable adjustments in valuations of the recognised deferred tax asset.

CSC's Danish activities are part of an ongoing transfer pricing audit in Denmark.

The audit is regarding the disallowance of deductibility for global outsourcing services, other services and certain restructuring cost.

SKAT have made a final ruling for the tax years 2009-2012 which have led to an accumulated adjustment of DKKm 63.5 for CSC Danmark A/S. The audit for the income year 2013 have not yet been finalised.

The final adjustment regarding management fees may result in payable taxes and may influence deferred tax.

The distribution and reimbursement within the joint taxation should however be recalculated for all the years in question. The adjustment will influence deferred tax.

Investment in subsidiaries
The recoverable amount for investments in subsidiaries is based upon the estimated capital value of the cash generating units (CGU).

A discount rate of 7,5% has been used when discounting the future cash flows, which is part of the valuation. The discount rate is based upon management's estimate over weighted average cost of capital. The terminal period assumes and includes an increase in inflation of 1,5%.

When calculating the capital value, it is necessary to make use of a series of assumptions in order to estimate future cash flows. The primary assumptions regard future cost-structure of the companies' services and developments in specific contracts with clients. This relates to; the acquisition of new contracts and the renegotiation of contracts with existing clients. Another important assumption is the realization of cost reductions in conjunction with the ongoing restructuring of the Nordic group.

The calculations are furthermore complicated by the uncertainty surrounding the economic situation in the markets in which the companies operate in as well as developments in interest and exchange rates.

Even a small future changes in estimates or budget assumptions can cause considerable adjustments in valuations of the recognised goodwill.

2. Segment reporting

	2016/17 DKKm	2015/16 DKKm
Revenue divided between main segments		
Public sector sales	532.3	670.4
Financial sector sales	157.8	224.2
Small and medium sized customer services	294.0	199.5
	984.1	1,094.1

86% (2015/16: 92.1%) of the company's revenue is derived from the Danish market and 14% (2015/16: 7.9%) from overseas markets.

3. Fees to auditors appointed at the general meeting

	2016/17 DKKm	2015/16 DKKm
Statutory audit services	1.9	2.5
	1.9	2.5

4. Personnel expenses

	2016/17 DKKm	2015/16 DKKm
Salaries and services	512.4	748.7
Pension costs	50.2	67.6
Other social insurance contributions	4.2	5.6
	566.8	821.9
Total compensation and remuneration to Managing directors and Board of directors	1.6	2.4
Average number of employees	640	801

In accordance with provision 98 b, 3 of the Danish Financial Statements Act the remuneration of the Managing Director and Board of Directors is disclosed as a combined amount.

The restructuring costs in current year is 14.8 DKKm (2016: 163.1 DKKm).

5. Financial expenses

	2016/17 DKKm	2015/16 DKKm
Financial expenses, group entities	5.1	14.9
	5.1	**14.9**

6. Income taxes

	2016/17 DKKm	2015/16 DKKm
Current tax	(5.3)	(6.1)
Net change in not recognised tax asset	3.9	156.6
Current year deferred tax	1.0	(72.4)
Changes in tax percentage	-	(2.2)
Change in tax previous years	-	32.2
	(0.4)	**108.1**

7. Proposed distribution of profit/loss

	2016/17 DKKm	2015/16 DKKm
Retained earnings	(87.6)	(930.4)
	(87.6)	**(930.4)**

8. Intangible assets

	Goodwill DKKm	Acquired licenses DKKm
Cost as at 01 April 2016	18.3	78.8
Additions	-	1.1
Disposals	-	(0.2)
Cost as at 31 March 2017	-	79.7
Amortisation as at 01 April 2016	8.0	52.6
Amortisation for the year	1.6	8.1
Reversals relating to disposals	-	(0.2)
Amortisation 31 March 2017	9.6	60.5
Carrying amount as at 31 March 2017	8.7	19.2

9. Property, plant & equipment	Land& buildings DKKm	Plant and machinery DKKm	Other fixtures DKKm	Leasehold improvements DKKm
Cost 01 April 2016	749.9	401.1	26.9	16.8
Transfer in/out	-	-	-	-
Additions	3.2	11.1	1.7	-
Disposals	-	(7.6)	(2.6)	-
Transfer in / out	-	-	-	-
Cost 31 March 2017	**753.1**	**404.6**	**26.0**	**16.8**
Revaluation as at 01 April 2016	12.3	-	-	-
Revaluation for the year	-	-	-	-
Revaluation as at 31 March 2017	**12.3**	-	-	-
Depreciation 01 April 2016	539.9	318.6	18.6	14.3
Transfer in/out	-	-	-	-
Depreciation for the year	24.0	32.5	2.8	0.8
Reversals relating to disposals	-	(3.1)	(0.9)	-
Depreciation 31 March 2017	**563.9**	**348.0**	**20.5**	**15.1**
Book value 31 March 2017	**201.5**	**56.6**	**5.5**	**1.7**

10. Investment in subsidiaries	Purchase price DKKm	Valuation adjustments DKKm	Total DKKm
Carrying amount 01 April 2016	2,122.7	(452.5)	1,670.2
Capital Injection	-	88.5	88.5
Net share of profit for the year	-	(15.6)	(15.6)
Goodwill amortisation	-	(35.0)	(35.0)
Currency adjustments	-	22.8	22.8
Carrying amount as at 31 March 2017	**2,122.7**	**(391.8)**	**1,730.9**

Carrying amount of goodwill is recognised with an amount of 415.7 DKKm (2015/16: 450.8 DKKm).

The corridor method is applied when recognizing defined benefit plans in subsidiaries measured under the equity method. The not disclosed pension obligation is 166 DKKm.

Equity holdings in group entities comprise of:

- CSC Scandihealth A/S, Aarhus 100%
- CSC Airline Solutions Denmark A/S, Copenhagen 100%
- CSC Sverige AB, Stockholm 100%
- CSC Norge AS, Oslo 100%

11. Financial assets

	Other Receivables DKKm
Cost as at 1 April 2016	2.7
Additions	-
Disposals	(0.2)
Cost as at 31 March 2017	**2.5**

12. Deferred tax

	Deferred tax asset DKKm	Deferred tax liabilities DKKm	2017 Total DKKm	2016 Total DKKm
Deferred tax regards the following financial statement items:				
Intangible assets	-	(4.2)	(4.2)	(5.7)
Plant and equipment	134.4	-	134.4	95.8
Accrued contract cost	-	(0.4)	(0.4)	(1.6)
Other provisions	1.7	-	1.7	10.3
Income tax losses carried forward	99.0	-	99,0	105.9
Interest limitation due to EBIT	-	-	-	0.7
	235.1	**(4.6)**	**230.5**	**205.4**
Not recognised amounts			(230.5)	(200.5)
Carrying value 31 March			-	**4.9**

	2017	2016
Deferred taxes 01 April	4.9	119.1
Change in deferred tax TP case Previous years	(7.9)	(32.2)
Net change in not recognised deferred tax asset	(3.9)	(156.6)
Change in deferred tax previous years	5.2	-
Current year deferred tax	1.7	72.4
Change in tax percentage deferred tax	-	2.2
Deferred taxes 31 March	-	**4.9**

13. Contract work in progress

	2017 DKKm	2016 DKKm
Sales value of work performed	8,4	36.8
Invoiced on account	(4,3)	(41,6)
	4.1	**(4.8)**
The net value is recorded as follows:		
Contract work in progress	4.1	-
Prepayments from customers	-	(4.8)
	4.1	**(4.8)**

14. Prepayments

Prepayments are made up of prepaid administration, personnel expenses, support and maintained licenses as well as transitional costs.

15. Share capital

Share Capital is made up of 4 shares of 50 DKKm.
The ordinary shares are divided into classes.
Number of own shares at nominal value 50 DKKm amounts to 0 units (2015/16: 0 units)
No changes have been registered to the ordinary share capital in the past five financial years

16. Provisions

	2017 DKKm	2016 DKKm
Provision for restructuring Costs	13.6	42.3
	13.6	**42.3**
Period when provisions are expected to be payable		
Payable within nil-one year	12.9	38.9
Payable in one-five years	0.7	3.4
	13.6	**42.3**

17. Other liabilities

	2017 DKKm	2016 DKKm
Group entities payables	-	458.6
Financial leasing liabilities	6.3	9.8
	6.3	**468.4**
Period when liabilities are expected to be payable		
Payable within nil-one year	2.9	101.2
Payable within one- five years	3.4	367.2
	6.3	**468.4**

The company has no non-current liabilities which become payable after more than five years. Amortised cost and nominal values of non-current assets equal carrying values.

18. Contingencies and commitments etc.

Guarantee for work in progress
The company has put forth a guarantee for a total of 43.2 mDKK for work in progress service deliverables and 45.7 mDKK on behalf of other European CSC entities covered by CSC Computer Sciences Corp. (2015/16: 41.2 mDKK) guarantees on behalf of other European CSC entities covered by CSC Computer Sciences Corp.

Operating lease commitments
Future lease payment according to the contracts are expected to become payable:

	2017 DKKm	2016 DKKm
Payable within nil – one year	5.4	2.4
Payable within one – five years	7.3	-
	12.7	**2.4**

Other commitments

The facilities on Retortvej 8, Valby are subject to a conditional term, whereafter Copenhagen Municipality can re-purchase the land in 2040. The facilities carrying amount is 201.5 mDKK (2015/16: 222.3 mDKK).

The grounds are polluted with tar compounds from the earlier Valby Gas Works. The assessment made is that an eventual clean-up of the grounds at the request of the authorities will not lead to significant costs for the company.

VAT exempted services

The Danish Authorities have issued a guideline regarding the VATable treatment of services related to payment services etc. to special investment funds. The conclusion in the guideline is that the mentioned services are not VATable but instead subject to payroll tax. CSC Danmark A/S has, therefore, raised a claim to the Danish Authorities to cover output VAT for the part of the total sale that CSC Danmark A/S consider to be included in the guideline. However the claim will be reduced by deduction of input VAT, energy tax and payroll tax that all would be triggered if the services are subject to payroll tax instead of VAT. The deductions could potentially cause the net position to turn negative resulting in a net liability for the Company. The outcome is very uncertain as the Danish Authorities will potentially not consider all customers included in the claim as investments funds. Consequently, it is not possible with reasonableness to determine a possible range of net position exposure for CSC Danmark A/S in this matter.

Cash pool
The company's cash is part of a joint Nordic Cash Pool and used as collateral for the debt to the banks in other Nordic companies.

19. Loans and collaterals

Guarantee of payment

The company is listed as the guarantor of its subsidiary CSC Scandihealth A/S property lease liabilities.

Letter of support

The Company has issued a letter of support to the subsidiary CSC Sverige AB, stating that CSC Danmark A/S will, where necessary, provide financial support to the company.

Joint taxation

The Company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

20. Related parties

The following related parties have a controlling interest in CSC Danmark A/S:

Name	: DXC Technology Company.
Municipality of Domicile	: Tysons, Virginia, USA.
Basis of influence	: Ultimate parent.

Transactions with related parties

	2017 DKKm	2016 DKKm
Revenue from related parties	111.0	79.7
Costs from related parties	12.4	169.2
Receivables/Payables with related parties	(74.0)	(143.3)

Ownership

The following shareholders, who hold minimum 5 % of the votes or minimum 5 % of the nominal value of the share capital, are listed in the Company's register of owners:

CSC Computer Sciences International Operations Ltd, UK.

Group ownership

CSC Danmark A/S is included in the consolidated financial statements of Computer Sciences Corporation, Tysons, Virginia, USA. The consolidated financial statements for Computer Sciences Corporation is available at http://www.dxc.technology/investor_relations/insights/141471-2017_annual_report.

21. Financial resources

The ultimate parent company has issued a letter of support to ensure that the company will have sufficient capital resources.