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SIMCORP

ANNUAL REPORT 2018

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SimCorp

CONTENTS

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF SIMCORP A/S

DISCLAIMER

The forward-looking statements regarding the Group's future financial situation involve factors of uncertainty and risk, which could cause actual developments to deviate from the expectations indicated. Such forward-looking statements are not guarantee of future performance. They involve risk and uncertainty, and the actual performance may deviate materially from that expressed in such forward-looking statements due to a variety of factors. The principal factors of uncertainty and risk are dealt with in further detail under the heading "Risk Management" on pages 28-30 and in note 6.2 "Risk" in this annual report. Readers are warned not to rely unduly on the forward-looking statements. The Group's revenue will continue to be impacted by relatively few, but large system orders, and such orders are expected to be won at relatively irregular intervals. The terms agreed in the individual license agreements will determine the impact on the order book and on license revenue recognized for any specific financial reporting period. Accordingly, license revenue is likely to vary considerably from one quarter to the next. Unless required by law or corresponding obligations, SimCorp A/S is under no duty and undertakes no obligation to update or revise forward-looking statements after the distribution of this document, whether as a result of new information, future events, or otherwise.

SIMCORP AT A GLANCE

SimCorp Dimension®, SimCorp's core system, provides multi-asset class support across the investment value chain, and approx. USD 20 trillion is managed on this system.

SimCorp Coric®, SimCorp's award-winning solution for client communications and reporting automation.

SimCorp Sofia, SimCorp's market-leading integrated investment management solution for the Italian insurance market.

SimCorp is
- a growth company driven by innovation
- a strong business partner for the world's leading investment managers
- committed to providing shareholder value
- a challenging and inspirational workplace for 1,660 dedicated and talented employees

52% of the **top 50** global investment managers are SimCorp Dimension clients

46% of the **top 100** global investment managers are SimCorp Dimension clients

42% of the **top 200** global investment managers are SimCorp Dimension clients

At SimCorp, we're passionate about providing best-in-class technology solutions to support the world's leading global investment managers in their current and long-term business aspirations.

EUR **382.6m** Revenue

13.2% Revenue growth (local currencies)

27.3% EBIT margin (local currencies)

EUR **80.2m** Free cash flow

EUR **34.4m** Paid dividends

44.7% Total payout

CEO LETTER

GROWTH COURSE MAINTAINED

SimCorp stayed on the growth path in 2018, delivering revenue increase of 11% and improving EBIT by 16%. We added 12 new companies to our client list and increased sales and service deliveries to existing clients.

During my first six years as CEO of SimCorp, we have accomplished a lot, and I cannot help feeling proud of being part of this journey. Over this period, our revenue has increased more than 80%, mainly from organic growth, and our EBIT margin has increased more than 4.5%-points, creating value for shareholders. Meanwhile, the number of SimCorp employees – the ones who have enabled these achievements – has increased from 1,113 at the end of 2012 to now 1,660. We have many opportunities and exciting challenges ahead to keep at the forefront of investment management technology; I believe we have a strong position and have the right strategy to meet these and continue our growth journey.

2018 was another satisfactory year for SimCorp. A robust combination of a gaining business with new clients and an ever-expanding relationships with our existing clients made it a successful year. We met our Vision 2020 target of delivering double-digit revenue growth and EBIT margin improvement year over year, particularly owing to a strong fourth quarter. A back-end loaded annual sales cycle is an inevitable operating condition for software companies and a busy year-end is a regular part of our business.

In 2018, we grew revenue by 11.4% and generated an EBIT margin of 27.0%, an increase of 1.1%-points compared with 2017. We also welcomed 12 new clients to the SimCorp family, bringing the total number of SimCorp clients to more than 250, with 190 of these being SimCorp Dimension® clients and the remaining being SimCorp Sofia and SimCorp Coric® clients.

KLAUS HOLSE
Chief Executive Officer

INVESTING IN OUR CLIENTS

Meeting the evolving demands of our clients and contributing to their success is our ambition and an integral part of our business model. SimCorp client loyalty as measured by the 'Net Promoter Score' (NPS) has increased significantly since its introduction in SimCorp in 2011. In 2018, we again reached a very high level of client satisfaction, and I would like to thank our clients, new as well as existing ones, for continuing to place their trust and business with SimCorp.

STRATEGY 2019

SimCorp's strategy and main priorities have been consistent for several years, with only minor adjustments aimed at addressing new market trends. North America remains a key area of focus; the world's single largest investment management market, including 550 companies of a size and nature to benefit from SimCorp Dimension. Having won 14 new North American clients in the last three years, we now have a market share of 6%[1] and a strong foothold in this market. Equally important, we now have numerous large, renowned companies as reference clients. To increase our market share further, we will continue to build on the awareness of SimCorp and our offerings in North America.

Another strategic priority is our front office offering, where we now have a highly advanced suite of solutions, capable of competing with best-of-breed products in the market. More than 70% of our clients have adopted all or parts of our front office offering and we will continue our investments with the strategic objective of attaining market leadership within the front office space, particularly in North America.

On the product side, we keep investing heavily in our integrated alternative investments solution, addressing a market that increasingly turns to alternative assets but often without having the required technology and infrastructure to manage these. By offering integrated functionality for the efficient management of alternative investments, we claim the unique position in the market as the only vendor who supports all asset classes, including alternatives, in one solution.

Last but not least, we continue to invest strategically in two initiatives that will evolve and simplify the way we deliver our solutions. One is the SimCorp Standard Platform initiative, which aims to develop more standard configurations to ease our clients' deployment of our best-practice solutions and shorten the implementation time. The other is our Enable Cloud strategic priority that will enable us to meet the increasing demand for outsourced, as-a-service (ASP), and cloud-based solutions, allowing our clients to focus less on implementing and managing software solutions and more on their core business of generating investment returns in the most efficient way.

INVESTING IN OUR EMPLOYEES

As SimCorp grows, it becomes increasingly important that we have the right programs and structures in place to attract, nurture, and support a thriving, motivated, and skilled staff, who work towards clearly defined and shared goals and who are able to deliver outstanding solutions to our clients. Therefore, education and development of our employees, including managers at all levels, is high on our agenda. Skilled, engaged, and motivated employees are the foundation for our ability to grow and develop SimCorp in accordance with our strategy, and I would like to thank each and every one of my colleagues for their dedicated effort in making 2018 a successful year for SimCorp and contributing to the success of our clients.

Finally, I would like to thank Jesper Brandgaard for his significant contributions as our Chairman for more than a decade. Jesper has been a key player in transforming SimCorp into a leading, global provider and member of Nasdaq Copenhagen's blue chip index.

Klaus Holse
Chief Executive Officer

> *2018 was another satisfactory year for SimCorp. Once again, we met our Vision 2020 target of delivering double-digit revenue growth and EBIT margin improvement year over year.*

EUR 382.6m
Revenue

13.2%
Revenue growth (local currencies)

EUR 103.3m
EBIT

27.3%
EBIT margin (local currencies)

[1] Refer to page 14 for SimCorp Dimension© market share overview and definition.

CHAIRMAN'S LETTER

POSITIONED FOR FURTHER GROWTH

SimCorp saw continued growth in line with its goals and expectations for 2018. In a market impacted by new client demands and a changing competitive landscape, we continue to strengthen our market position.

In the year where SimCorp entered OMXC25, the index containing the 25 most traded shares at Nasdaq Copenhagen, it is a pleasure to report another satisfactory annual result for SimCorp. Delivering on our ambitious Vision 2020 targets of double-digit annual revenue growth and improved EBIT margin requires a dedicated focus on marketing and sales, a continued ability to develop and deliver solutions that meet our clients' expectations, and a tight grip on cost. The management team and all employees have once again managed to balance these efforts and deliver solid results.

STRONG MARKET POSITION

The investment management vendor space has been impacted by M&A activity for a number of years. Continued industry consolidation has resulted in fewer independent vendors on the market, and only very few offer a truly integrated front-to-back solution. This, combined with the fact that more investment managers aim to simplify and consolidate their system landscape to achieve further automation and integration, puts SimCorp in a strong position.

The recent consolidation activity has been driven mainly by the aim of cost-cutting or by a wish to expand an existing offering by acquiring and integrating a supplementary solution. Expanding an existing solution through acquisition can be used as a strategy to achieve a front-to-back offering like SimCorp's. However, this strategy is faced by the challenge to achieve our level of integration, automation, and efficiency, which has been integrated in our solution from conception, builds on a front-to-back investment

JESPER BRANDGAARD
Chairman of the Board of Directors

book of record, and is the result of decades of extensive investment. While this competition should be taken seriously, SimCorp's position and offering remain strong.

EVOLUTION OF STRATEGY

Since defining the long-term (2020) financial target in 2015 of delivering double-digit revenue growth and EBIT margin improvement year-on-year, we have maintained a steady focus on executing our strategy that enables us to achieve our long-term ambitions.

As part of our annual strategy review, the Board and SimCorp's executive management team thoroughly assess current and emerging trends in the market to assure that we keep abreast of new developments. In 2019, the Board will start the process of defining the longer-term ambitions SimCorp should pursue beyond 2020.

DISTRIBUTION OF PROFIT

In 2018, we paid a dividend of EUR 34.4m, equal to DKK 6.50 per share. In addition, we repaid the EUR 30.0m borrowed in 2017 in connection with the acquisition of SimCorp Italiana.

According to our profit distribution policy, we intend to pay dividends of at least 40% of the annual net profit and use additional cash to buy treasury shares depending on other cash requirements. Based on the financial performance in 2018, the Board of Directors intends to propose to the shareholders at the Annual General Meeting (AGM) a dividend of EUR 35.9m, equal to DKK 6.75 per share, for the financial year 2018. Furthermore, based on the current business outlook and cash position, we expect to reintroduce a share buy-back program in 2019. We plan to introduce a new "Safe Harbour" program, acquiring treasury shares for a forecasted amount of EUR 25m in 2019, split into two programs of EUR 12.5m each.

BOARD COMPOSITION

As part of our efforts to optimize the Board's work and adhere to guidelines for good corporate governance, SimCorp in 2018 formed a joint Nomination and Remuneration Committee. Among other tasks, this committee assists the Board with oversight of the composition of the Board and its committees, succession plans for the Executive Management Board, and remuneration packages and policies for the Board of Directors and Executive Management Board. The Committee consists of four members elected by the Board for a term of one year. In addition, SimCorp's CEO regularly attends the Committee's meetings.

Following the decision approved by the AGM in 2018 to increase the number of Board members elected by shareholders to between four and eight, SimCorp has welcomed two new members, Joan Binstock and Morten Hübbe, bringing the number of members elected by shareholders to seven.

This change ensures a sufficient number of suitable candidates for the Audit and Nomination and Remuneration Committees and a sound basis for successful Board succession. Further change will be proposed at the AGM 2019 as I have decided to resign from the Board after 12 years, 11 of these as Chairman. Peter Schütze, the Board's Vice-chairman since 2012, will be proposed as the new Chairman, with Morten Hübbe as the new Vice-chairman. The Board does not propose any new members to the Board, which will bring the number of members elected by the shareholders back to six.

> *"Since defining our long-term (2020) financial target in 2015 of delivering double-digit revenue growth and EBIT margin improvement year-on-year, we have maintained a steady focus on executing the strategy that enables us to reach our target.*

EUR 34.4m
Paid dividends

44.7%
Total payout ratio

THANK YOU

On behalf of the Board, I would like to thank all investors for their faith in SimCorp, our clients for partnering with us, and all SimCorp's employees for their hard and dedicated work in the past year.

On a personal level, I would like to take this opportunity to extend my sincere gratitude to SimCorp's investors for the trust they have shown in me during my time as Chairman.

It has been an immense pleasure and privilege to serve this great company for so many years!

Jesper Brandgaard
Chairman of the Board of Directors

HIGHLIGHTS 2018

FINANCIAL HIGHLIGHTS

EUR 382.6m
Revenue

SimCorp generated total revenue of EUR 382.6m in 2018 compared with EUR 343.4m in 2017. The increase was primarily driven by strong growth in license sales to new clients.

13.2%
Revenue growth (local currencies)

Total revenue increased by 11.4% compared with 2017. Exchange rate fluctuations for the year had a negative impact on revenue of EUR 6.2m, equal to 1.8%. Measured in local currencies, revenue thus increased by 13.2%. The underlying organic revenue growth was 9.5%, reflecting a 3.7%-point positive impact from the acquisition of SimCorp Italiana in August 2017.

EUR 103.3m
EBIT

SimCorp generated EBIT of EUR 103.3m compared with EUR 88.9m in 2017, an increase of 16.3%. The profit for the year was EUR 77.0m compared with EUR 66.5m in 2017.

27.3%
EBIT margin (local currencies)

EBIT margin increased from 25.9% in 2017 to 27.0%. When measured in local currencies the EBIT margin was 27.3% in 2018, with main drivers behind the improved margin being revenue growth, SimCorp Italiana contribution, and cost focus. The underlying organic EBIT margin was 26.9%, reflecting a 0.4%-point positive impact from the acquisition of SimCorp Italiana.

EUR 101.0m
Order intake

Total order intake was EUR 101.0m compared with EUR 81.8m in 2017, of which order intake from Client-Driven Development (CDD) accounted for EUR 16.8m compared with EUR 3.1m in 2017. Total order book increased by EUR 20.7m from EUR 24.8m in 2017 to EUR 45.5m due to income recognition being deferred until certain conditions are fulfilled. CDD accounted for EUR 17.7m of the order book compared with EUR 3.5m in 2017.

EUR 80.2m
Free cash flow

Free cash flow was EUR 80.2m compared with EUR 51.3m in 2017 due to higher operating profit and positive working capital development in receivables, prepayments from clients, and payables. The net cash position improved from EUR 1.4m at the end of December 2017 to EUR 47.5m.

OPERATIONAL HIGHLIGHTS

EUR 240.7m
Revenue signed

SimCorp enters 2019 with EUR 240.7m of the full year's revenue signed compared with EUR 215.8m a year ago – an improvement of EUR 24.9m or 11.5% compared with last year.

10
New SimCorp Dimension clients

Ten new SimCorp Dimension license deals were signed in 2018, including five deals in the designated growth market North America, bringing the total number of SimCorp Dimension clients up to 190 corresponding to a global market share of 15%.

EUR 808.4m
License base

The license base (accumulated license order value) was EUR 808.4m at December 31, 2018 compared with EUR 768.6m at December 31, 2017.

1,660
Number of employees

Headcount increased by 113 during 2018, bringing the total number of employees to 1,660 at December 31, 2018.

EUR 34.4m
Payout to shareholders

SimCorp paid dividends in 2018 of EUR 34.4m compared with EUR 33.2m in 2017. No treasury shares were bought in 2018, due to EUR 30m in repayment of loan, compared with purchase of treasury shares for EUR 25.1m in 2017. Consequently, SimCorp returned EUR 34.4m to its shareholders in 2018 compared with EUR 58.3m in 2017.

DKK 6.75
Proposed dividend per share

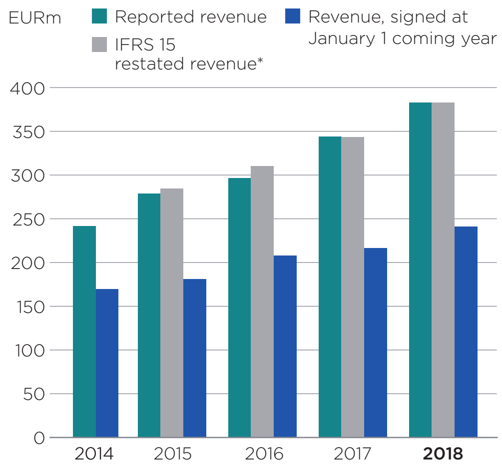
The Board of Directors intends to recommend to shareholders at the Annual General Meeting 2019 that dividends be declared at the rate of DKK 6.75 per share compared with DKK 6.50 last year.

1/2 HIGHLIGHTS 2014-2018

EUR '000	2018	2017	2016	2015	2014
ORDERS					
Order book value	45,508	24,790	44,764	24,117	16,676
Order intake	100,989	81,821	85,056	70,697	43,865
INCOME STATEMENT					
Revenue	382,626	343,405	295,930	277,927	241,069
Earnings before interest, tax, depreciation, and amortization (EBITDA)	109,268	92,851	71,583	74,227	61,044
Operating profit (EBIT)	103,345	88,894	68,223	71,038	57,263
Financial items, net	-809	-1,204	-630	-1,938	253
Profit before tax	102,536	87,690	67,593	69,100	57,516
Profit for the year	76,971	66,497	50,992	52,584	41,583
COMPARABLE INCOME STATEMENT (Adjusted to IFRS 15 for illustrative purposes only)*					
Restated revenue	382,626	343,405	309,248	283,737	-
Restated earnings before interest, tax, depreciation, and amortization (EBITDA)	109,268	92,851	84,901	79,545	-
Restated operating profit (EBIT)	103,345	88,894	81,541	76,356	-
Financial items, net	-809	-1,204	-630	-1,938	-
Profit before tax	102,536	87,690	80,911	74,418	-
Profit for the year	76,971	66,497	61,039	56,631	-
BALANCE SHEET					
Share capital	5,441	5,467	5,575	5,575	5,575
Equity	169,059	116,581	72,571	89,820	73,380
Bank loan	-	30,000	-	-	-
Property, plant, and equipment	5,377	5,528	4,779	4,333	4,635
Receivables	79,165	86,080	80,041	68,144	57,994
Contract assets	85,684	49,946	-	-	-
Cash and cash equivalents	47,500	31,412	31,590	43,344	37,995
Total assets	270,267	230,616	146,928	149,529	127,807
Investment in property, plant, and equipment	1,950	3,333	2,973	2,029	2,054
CASH FLOW					
Cash flow from operating activities	82,215	55,532	65,418	54,206	44,390
Cash flow from investing activities	-1,720	-26,930	-4,309	-2,625	-7,023
Cash flow from financing activities	-64,444	-28,294	-72,856	-46,422	-46,524
Free cash flow	80,153	51,317	60,801	51,932	41,993
Net change in cash and cash equivalents	16,051	308	-11,747	5,159	-11,042
EUR/DKK rate of exchange at December 31	7.4673	7.4449	7.4344	7.4625	7.4436

* The Group has applied IFRS 15 using the modified retrospective principle as a cumulative catch up adjustment to the opening balance of equity at January 1, 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

REVENUE



EBIT

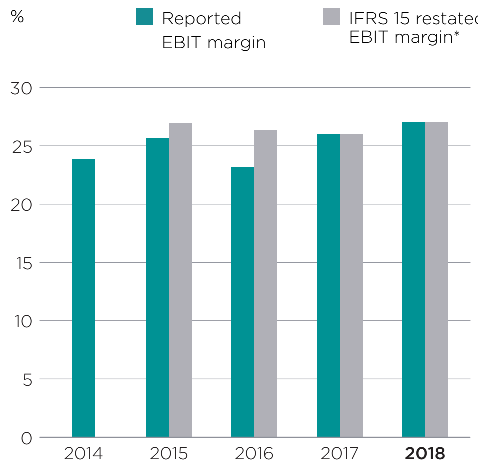
2/2 HIGHLIGHTS 2014-2018

	2018	2017	2016	2015	2014
EMPLOYEES					
Number of employees at year-end	1,660	1,547	1,376	1,268	1,224
Average number of employees - FTE	1,554	1,421	1,275	1,205	1,187
FINANCIAL RATIOS					
EBIT margin (%)	27.0	25.9	23.1	25.6	23.8
EBIT margin (%) adjusted to IFRS 15 for illustrative purposes only*	27.0	25.9	26.4	26.9	-
ROIC (return on invested capital) (%)	82.4	107.4	121.3	136.0	146.3
Receivables turnover ratio	8.2	7.6	7.8	8.1	7.5
Equity ratio (%)	62.6	50.6	49.4	60.1	57.4
Return on equity (%)	59.7	64.5	57.5	60.2	53.1
SHARE PERFORMANCE					
Earnings per share - EPS (EUR)	1.95	1.69	1.28	1.31	1.02
Diluted earnings per share - EPS-D (EUR)	1.93	1.67	1.26	1.29	1.00
Cash flow per share - CFPS (EUR)	2.08	1.41	1.64	1.35	1.08
Book value per share at year end - BVPS (EUR)	4.27	2.96	1.84	2.24	1.81
Dividend per share - DPS (EUR)	0.87	0.84	0.71	0.60	0.54
Dividend per share - DPS (DKK)	6.50	6.25	5.25	4.50	4.00
Dividend payout ratio (%)	44.7	51.4	57.5	47.6	53.6
Total payout ratio (%)	44.7	87.7	142.9	86.9	112.0
MARKET VALUE RATIOS					
Share price at year end - EUR	59.67	47.46	46.30	51.99	21.83
Share price at year end - DKK	445.60	353.30	344.20	388.00	162.50
Price/book value per share - P/BV (EUR)	14.0	16.0	25.2	23.2	12.0
Diluted price earnings (P/E diluted)	30.9	28.4	36.8	40.4	21.2
Price cash flow - share price/CFPS - P/CF	28.6	33.7	28.3	38.6	20.1
Share capital (m)	40.5	40.7	41.5	41.5	41.5
Average number of shares (m)	39.5	39.4	40.0	40.2	40.9
Average number of shares - diluted (m)	39.9	39.9	40.5	40.9	41.5
Market capitalization - EURm	2,362	1,870	1,827	2,087	884

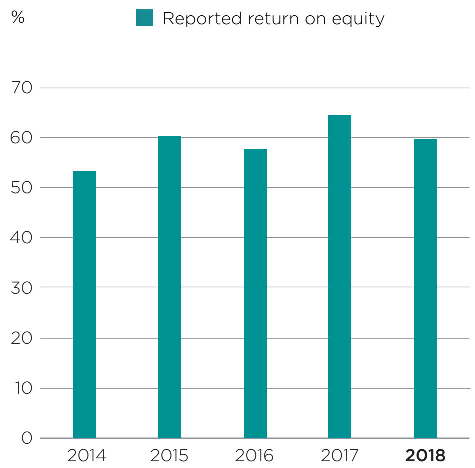
* The Group has applied IFRS 15 using the modified retrospective principle as a cumulative catch up adjustment to the opening balance of equity at January 1, 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Key ratios are calculated as per definitions given on page 61.

EBIT margin



RETURN ON EQUITY



Brad Massey
General Manager, Fund Services
Colonial First State

As a pension provider looking after people’s savings, taking a one-system approach to technology and data was the cost-efficient choice we needed. Consolidating our systems with SimCorp Dimension at the core is the best possible foundation for future growth

VISION AND STRATEGY

Global investment managers increasingly prefer integrated front-to-back solutions to best-of-breed applications, this matches SimCorp's native offering. In 2019, our overall strategic priorities will remain the same as for 2018; we will continue striving towards front office market leadership, higher market share in North America and a best-in-class alternative investments offering. To future-proof our technology and organization, we will increase investments in cloud-based solutions, standard platforms, and our employees.

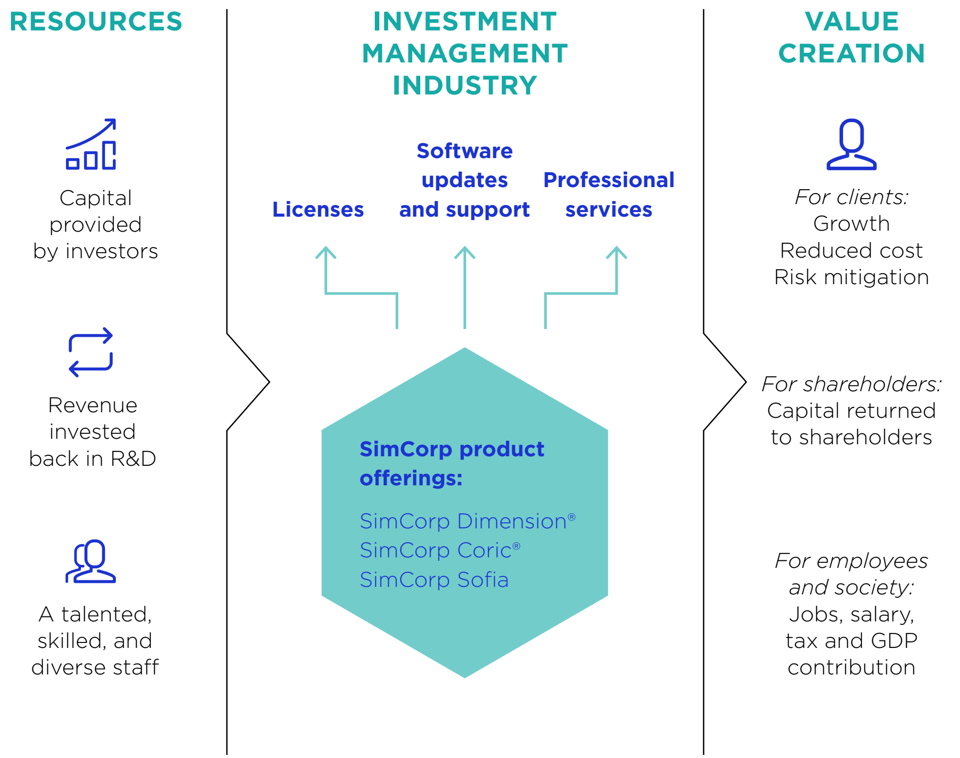
Successfully executing our strategic priorities remains fundamental to meeting our ambitious long-term (2020) goals of double-digit annual revenue growth and continuous profitability increase. In 2018, we stayed the course from 2017, while adding cloud-based solutions to our strategic priorities to meet client demands and market trends. As part of our strategy review before entering 2019, we reassessed and reconfirmed these priorities in the light of our business model, the operating environment outlook, and our positioning, market, and clients.

THE STRATEGIC PRIORITIES FOR 2018

A SUSTAINABLE BUSINESS MODEL

SimCorp's business model is highly transparent and builds on three main revenue drivers: software licenses; software updates and support (previously called maintenance); and professional services. These revenue drivers all derive from SimCorp's investments in its three best-in-class product offerings: SimCorp Dimension®; SimCorp Coric®; and SimCorp Sofia.

To ensure that these offerings are always up-to-date and at the forefront of the industry's needs, we aim to invest around 20% of our annual revenue back into development of these offerings, which sets us apart from our competitors.



An initial sale of SimCorp's flagship product SimCorp Dimension to a new client includes a purchase of licenses, reflecting the functional requirements of the client, the asset classes supported, and the number of users.

During the first phase of a client relationship, which usually lasts more than ten years, the accumulated revenue for SimCorp is typically four to eight times the initial license revenue. This includes the initial installation, professional services for implementation, additional functionality/modules and users, and ongoing software updates and support. Approximately 85% of our annual revenue is derived from existing clients and more than 50% is recurring.

Adding to the solidity of SimCorp's business model and reducing operational risk, the adaptability and scalability of our solutions mean long-lasting client relationships as our solutions and engagement with clients can grow over time. These relationships are further nurtured through close cooperation with our clients during training programs, software updates and support activities, client-driven development programs, and professional services operations.

OPERATING ENVIRONMENT OUTLOOK AND SIMCORP'S POSITIONING

An independent survey covering SimCorp's target markets found 'more scalable and efficient operating models' to be the number one priority across the industry.[1] Early 2018, a European survey reported that: "81% of buy-side firms named 'overhauling legacy systems', as the top strategic priority for 2018."[2] This sentiment echoed another survey covering North America, reporting that "75% of buy-side firms named 'consolidating systems and reducing interfaces' as the top strategic priority for 2018."[3]

Matching these positive expectations for legacy system replacements, the global investment management system (IMS) market's average annual growth rate (CAGR) through to 2022 is projected to be 3.6%, with some fluctuations across markets and system application areas.[4]

Despite the promising IMS technology spend outlook and a widely confirmed increasing preference for integrated front-to-back offerings[5], global investment managers are not replacing legacy systems and fragmented infrastructures quite at the scale that could be expected. According to some leading analysts, the buy side is holding back major IT investments until vendors can match the transformation towards digital client servicing that other industries are already offering. We also know that there is a demand for more hosting and service-based operating models and a wish for vendors to open up their systems for integration with external partners. And not least, investment managers have a strong cost focus and look to leverage best-practice based solutions in order to maximize return on investment and decrease time-to-value.

GLOBAL INVESTMENT MANAGERS INCREASINGLY **PREFER INTEGRATED FRONT-TO-BACK SOLUTIONS** TO BEST-OF-BREED APPLICATIONS, WHICH **MATCHES SIMCORP'S NATIVE OFFERING.**

With this background, we believe SimCorp is well positioned against its competition with a native integrated front-to-back offering.

NEW CLIENTS, BUSINESS UNITS AND MARKETS

In 2018, we welcomed new clients across SimCorp's markets. To further increase scale benefits and better service SimCorp's growing global client base, we have merged our 'UK and Middle East' and Northern Europe business units (now named 'UK, Northern Europe and Middle East'). The same rationale is behind the expansion of our activities in APAC with a new office in Japan to support Japanese fund managers, who are continuously adopting more global investment strategies. To provide an accurate picture of our actual reach and market potential, we have increased our target market estimates accordingly (see page 14 for overview of SimCorp clients and markets 2018).

STATUS AND UPDATE ON STRATEGIC PRIORITIES

In the light of the review of our business model, the operating environment outlook, and SimCorp's positioning, market, and clients, the table on page 15 outlines a status on our strategic priority achievements in 2018 and SimCorp's strategic priorities for 2019.

1. 'Strategies and Priorities in Asset Management – and the Impact for IMS Vendors', Lindberg International, April 2017.
2. 'Buy-Side Operations: Cutting Through Complexity', WBR Insights, 2018, (Europe).
3. 'Operations as a Competitive Advantage for the Buy Side', WBR Insights, 2018, (North America).
4. 'Financial Markets Technology Spending Through 2022', Ovum, June 2018.
5. 'More Trading-Tech Buyouts Ahead?', MarketsMedia, August 1, 2018.

SIMCORP CLIENTS AND MARKETS 2018

SIMCORP DIMENSION® CLIENTS AND MARKET SHARE[1]

Business units	Number of clients	Total market	Market share
UK, Northern Europe and Middle East	83	310	27%
Central Europe	50	110	45%
Southern Europe	10	150	7%
North America	31	550	6%
APAC	16	180	9%
Total	190	1,300	15%

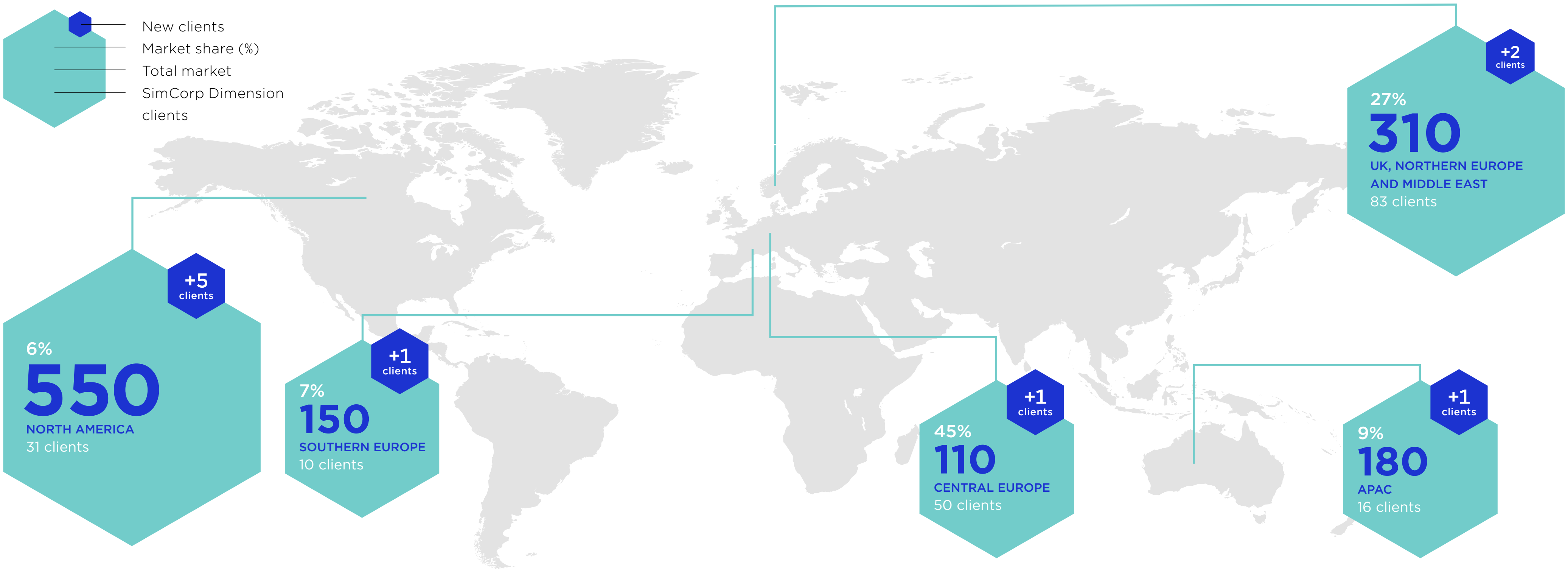
[1] Figures are based on SimCorp estimates and the total market numbers have been updated, adding 50 clients to the APAC market to reflect the expansion into Japan, as described on page 13. Market share is calculated as number of SimCorp Dimension clients relative to number of potential clients in each market.

SIMCORP CORIC® CLIENTS

	2018	2017
Clients who are also SimCorp Dimension clients	29	29
Clients who are only SimCorp Coric clients	34	33
Total	**63**	**62**

SIMCORP SOFIA CLIENTS

	2018	2017
Clients who are also SimCorp Dimension clients	4	5
Clients who are only SimCorp Sofia clients	47	50
Total	**51**	**55**



STRATEGIC PRIORITIES

2018	STATUS ON ACHIEVEMENTS	2019	GOALS AND FOCUS
FRONT OFFICE MARKET LEADERSHIP	In 2018, we have sold our front office solution to five of our ten new SimCorp Dimension clients, one of these in North America, while another four of our new clients bought parts of our front office solution. We have invested strongly in new functionality and in a Front Office Standard Platform, which both will help realize our front office market leadership ambition. By end of 2018, more than 70% of our existing clients are licensing parts of or our entire Front Office Suite. In 2018, we exceeded our front office sales targets and received the 2018 XCelent Award for 'Breadth of Functionality and Coverage' due to our extensive front office functionality and instrument coverage.	FRONT OFFICE MARKET LEADERSHIP	In 2019, we aim to strengthen further the perception of SimCorp as a leading provider of fully integrated front office solutions. We will do this by launching a front office standard platform and a new Datacare service. Both meet the market demand for standard solutions and as-a-service (ASP) offerings. We will also enhance further the functionality of our Front Office product suite with a special focus on North America.
ENABLE CLOUD	In 2018, the strong demand for SimCorp Dimension as-a-service (ASP) continued in North America with four clients choosing this delivery solution. We also signed two hosted clients in Europe and one in APAC, bringing the total number of hosted clients up to 12. We have initiated a series of investments in the product architecture to make it an even stronger fit for public cloud, to leverage elasticity, and to leverage new technologies to deliver superior scalability.	EXPAND CLOUD	To meet the demand for hosted and cloud-based solutions and to support digital transformation at our clients, we will expand investments in our cloud strategy. We will launch new cloud apps to build on the successful launch of our KPI app in 2018. In the existing product, we continue to update the product architecture to ensure it will continue to be relevant in our cloud-centric future.
ALTERNATIVE INVESTMENTS EXELLENCE	In 2018, we launched the Alternative Investments Manager, providing Limited Partners core support for private equity, infrastructure, and other investment strategies. Our alternative investments offering matches the increasing demand for multi-asset class support and integrated solutions. This is confirmed by the commercial success we have achieved, most recently with 17 prestigious clients moving their alternative investments portfolio to SimCorp Dimension in 2018.	ALTERNATIVE INVESTMENTS EXELLENCE	In 2019, we will broaden our support for alternative investments with additional innovative look-through capabilities and extended accounting and pricing automation, while continuing our client-driven development partnerships. We will continue to invest in our solution to be able to deliver unique real-time insights and operational efficiencies, providing the most sophisticated cross-asset platform on the market.
ESTABLISH STANDARD PLATFORM	In 2018, we have sold and delivered the first IBOR and Front Office Standard Platforms, launched in 2017. These deliveries have demonstrated the offering's positive impact with regards to reducing cost, time-to-value, and risk for new clients, achieving a delivery time of less than four months and a 30% cost reduction. Our Standard Platforms are instrumental in driving new sales and shortening sales cycles due to shorter delivery time and lower cost.	EXPAND STANDARD PLATFORM	We will increase the investment in standard platforms to meet the demand for faster delivery and lower risk and cost with solutions based on proven business processes. We will strengthen our IBOR and Front Office standard platforms to support our front office sales and market leadership ambition. We will expand the development of standard platforms to data management and alternative investments.
GROW NORTH AMERICA	We are pleased that we welcomed five new SimCorp Dimension clients and one new SimCorp Coric client in North America in 2018, while also making large additional sales to existing clients. North America is continually increasing its share of SimCorp's revenue and still holds the single biggest growth potential to SimCorp, with our market share currently being 6%.	GROW NORTH AMERICA	North America is a key growth driver for SimCorp and we will continue our efforts to increase market share. Partnering with our clients, we will keep focus on meeting local and segment-specific requirements in terms of functionality, multi-asset coverage, and hosted and standard platform offerings. We are strongly positioned to attract new clients to SimCorp Dimension and SimCorp Coric platforms with an impressive North American client list belonging to the top 50 global asset managers.

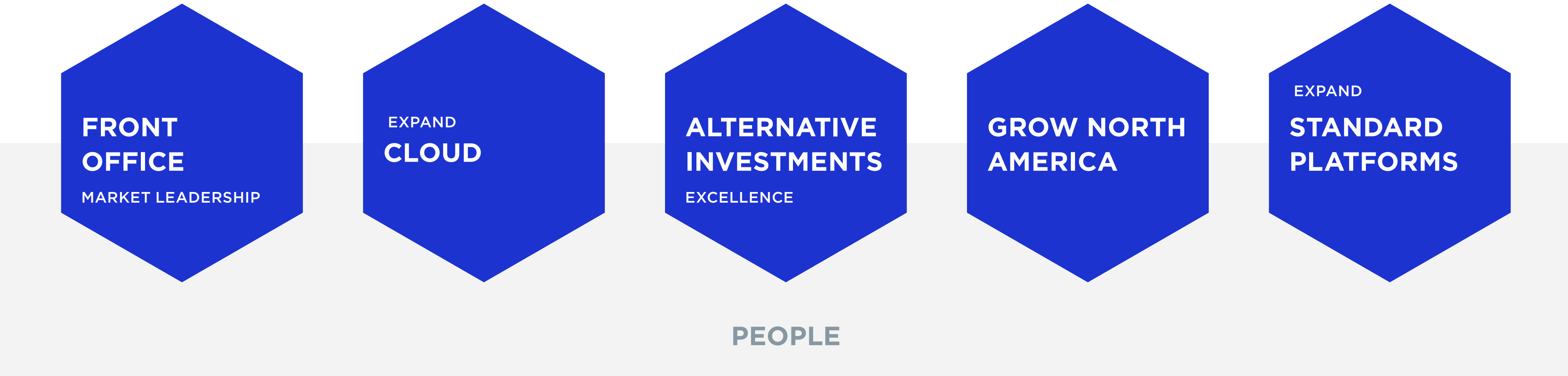
STRATEGIC PRIORITIES FOR 2019

Upon review of our achievements in 2018 and in the light of the operating environment outlook, we have confirmed our belief in the strength and uniqueness of our offerings and strategy with some minor adjustments to our priorities for 2019.

We will retain focus on growing our North American market share, further strengthening our front office market position, and bringing our alternative investments offering to the next level. To further enhance our technology and meet the demand for hosted, cloud-based, and cost-effective standard offerings, we will expand our investments in cloud solutions and standard platforms.

To be able to succeed with these five strategic priorities, we rely on a strongly talented, skilled, and diverse staff. Our employees are fundamental to everything we deliver and the ability to attract and retain highly talented people remains a key focus for SimCorp. To succeed, we will strengthen our employer branding to support the perception of SimCorp as an attractive workplace, and maintain an intense focus on our recruitment activities globally. To help our employees realize the full potential of their talent and grow with SimCorp, we will continue to support and encourage their personal and professional development as well as ensure that their managers get the best possible training by continually investing in our leadership academy and mentoring programs.

THE STRATEGIC PRIORITIES FOR 2019



Michael Baker
Senior Vice President Strategic Implementation
Alberta Investment Management Corporation

"We are expanding our strategy for SimCorp Dimension's cross-asset support to alternative investments. This simplifies and makes it more cost-efficient, yet more precise, to measure our risk exposures

FINANCIAL **TARGETS** 2019

SimCorp expects revenue growth in local currencies of between 8% and 13% in 2019, with an EBIT margin measured in local currencies of between 25.5% and 28.5%. SimCorp's long-term (2020) target is to generate double-digit annual revenue growth, and to gradually expand margins year-on-year.

MARKET DEVELOPMENTS

The total number and size of deals available in 2019 is difficult to predict. However, based on the company's strong market performance over recent years, and considering its fully integrated front-to-back offering, which is increasingly preferred to best-of-breed solutions, SimCorp expects to continue to gain market share in 2019.

On a macroeconomic level, SimCorp regards the underlying trends for 2019 as neutral to its business despite instability on the global equity markets and political turmoil.

Across the global financial industry, reports show that investment managers regard achieving more scalable and efficient operating models as their number one priority. Specifically, buy-side firms mention overhauling legacy systems, consolidating systems and reducing interfaces as top priorities to stay competitive. This assumption is backed by analysts predicting the spend in the global investment management system (IMS) market to grow by 3.6% annually (CAGR) through to 2022.[1] Overall, the most important focus areas on the investment management industry agenda in 2019 are addressed by SimCorp's offering, including:

- Cost savings and cost-efficient operations
- Cost-effective regulatory compliance
- Scalable operating platforms to support growth
- Offering improved client servicing
- Risk management and increased transparence and regulatory requirements.

[1] Financial Markets Technology Spending through 2022, Ovum, June 2018.

FINANCIAL TARGETS 2019

In local currencies	2019 Guidance	2018 Realized	2018 Organic
Revenue growth	8%-13%	13.2%	9.5%
EBIT margin	25.5%-28.5%	27.3%	26.9%

SimCorp also expects to continue to benefit from the full ownership of SimCorp Coric through cross-selling between SimCorp Dimension and SimCorp Coric.

REVENUE AND PROFIT OUTLOOK FOR 2019

Based on the current business environment, the current pipeline, and SimCorp's market position, the expectations for 2019 are to grow revenue in local currencies between 8% and 13%, and to generate an EBIT margin measured in local currencies of between 25.5% and 28.5%.

Based on the exchange rates prevailing per end of January 2019, SimCorp estimates reported revenue to be positively impacted from currency fluctuations by around 1%. The impact from currency fluctuations on reported EBIT margin is expected to be positive by around 0.2%-points.

For 2019, SimCorp expects a group effective tax rate of between 24% and 26%.

In 2016, SimCorp changed its licensing model from a perpetual license model to a subscription-based model. This applies to new SimCorp Dimension licenses only, as existing clients already have acquired the right to use SimCorp Dimension under the perpetual license model and thereby can continue buying additional licenses under the perpetual model. Some existing clients, however, might

EXCHANGE RATE

Main currencies EUR per 100	Exchange rate January 31, 2019	Average rates 2018	Average rates 2017
USD	87.05	85.28	88.65
CAD	66.19	65.42	68.11
AUD	63.34	63.35	67.31
SGD	64.69	63,24	63.30
GBP	114.18	113.08	114.14
CHF	87.65	86.81	89.58
NOK	10.35	10.42	10.69
SEK	9.64	9.75	10.39

choose to convert from a perpetual model to a subscription-based model.

According to IFRS 15, license revenue from a subscription-based contract will be recognized in the year of sale, provided that no functionality gaps or unmet acceptance criteria exist. Revenue recognition according to IFRS 15 is similar to the revenue recognition for perpetual licenses, whereas the subscription-based license fees will be discounted to net present value. The cash flow from a subscription-based contract will, however, be received over the contract period leading to income recognition before cash-in-hand and increasing contract assets on the balance sheet.

For 2019, SimCorp expects a cash conversion of between 60% and 80% due to the expected impact from changes in contract assets. Cash conversion is defined as free cash flow divided by profit for the year.

Offering clients to operate SimCorp Dimension on their behalf is in some instances becoming a prerequisite for signing new deals, particularly in North America. Consequently, SimCorp has since 2016 made it a strategic priority to be able to meet this demand. The SimCorp Dimension as-a-service (ASP) offering entails costs to third-party global IT-infrastructure providers, which SimCorp will be passing through to clients at marginal profits. Consequently, offering SimCorp Dimension as-a-service (ASP) has a dilutive impact on EBIT margins as a result of the pass-through of hosting costs and revenues. In 2019, the pass-through of hosting is expected to impact revenue growth positively by around 0.3%-points and to have a negative impact on the EBIT margin of 0.2%-points, which is included in the guidance.

Income will vary considerably from one reporting period to the next as timing of license sales by nature varies.

Clients who already had business relations with SimCorp on January 1, 2019 are expected to account for around 85% of total revenue in 2019.

For impacts of the adoption of IFRS 16 effective at January 1, 2019, please refer to note 1.

FINANCIAL **REVIEW** 2018

SimCorp generated revenue of EUR 382.6m in 2018, an increase of 11.4% compared with 2017 and 13.2% when measured in local currencies. The increase was primarily driven by strong growth in license sales to new clients. For the first time, SimCorp generated EBIT of more than EUR 100m. The reported EBIT margin was 27.0% and 27.3% when measured in local currencies. SimCorp views the performance in 2018 as satisfactory.

FINANCIAL EXPECTATIONS AND RESULTS 2018

In local currencies	Realized 2018	Guidance Feb. 20, 2018
Revenue growth	13.2%	10%–15%
EBIT margin	27.3%	24.5%–27.5%

FINANCIAL EXPECTATIONS AND RESULTS 2018

The 2017 Annual Report announced 2018 revenue growth expectations of between 10% and 15% measured in local currencies and an EBIT margin measured in local currencies of between 24.5% and 27.5%. The financial expectations have remained unchanged throughout the year.

Measured in local currencies, SimCorp achieved a revenue growth for 2018 of 13.2% and an EBIT margin of 27.3%. SimCorp Italiana, which was acquired in August 2017, accounted for 3.7%-points of the revenue growth, with organic growth hence constituting 9.5%. SimCorp Italiana had a small positive impact on the EBIT margin of 0.4%-points. The currency rate fluctuations impacted revenue growth negatively by 1.8% and the EBIT margin negatively by 0.3%-points, leading to a reported revenue growth of 11.4% and a reported EBIT margin of 27.0%.

ORDER INTAKE AND ORDER BOOK

Total license order intake increased by 23.4% compared with 2017 to EUR 101.0m in 2018, including SimCorp Dimension orders related to SimCorp's Client-Driven Development (CDD) program and SimCorp Coric orders. To enable comparison, SimCorp Italiana (Sofia) orders are not included in order intake and order book figures. Compared with 2017, the order intake for SimCorp Dimension increased by 32.9% to EUR 95.8m in 2018. The order intake for SimCorp Coric was EUR 5.2m. Order intake for CDD (included in order intake for SimCorp Dimension) accounted for EUR 16.8m compared with EUR 3.1 in 2017.

SimCorp Dimension license solutions were sold to ten new clients in 2018, totaling EUR 37.2m, compared with sales to eight new clients in 2017, totaling EUR 18.8m. The ten SimCorp Dimension initial license orders in 2018 were distributed across SimCorp's growth and mature markets. Five new license orders were signed in the designated growth market North America, all on subscription-based terms, and with three of these to be delivered as-a-service (ASP) solutions. Two new subscription-based license orders were signed in the UK, Northern Europe and Middle East business unit, and one subscription-based license order was signed in each of the Southern Europe, Central Europe, and APAC business units.

The split between new subscription-based and new perpetual SimCorp Dimension license orders were 100%/0% in favor of subscription-based orders compared with a ratio of 96%/4% in 2017 and 40%/60% in 2016.

The average size of new SimCorp Dimension license deals increased from EUR 2.4m in 2017 to EUR 3.7m in 2018.

SimCorp Coric sold two new standalone solutions and one solution to an existing SimCorp Dimension client. Of the two new SimCorp Coric standalone solutions sold in 2018; one was signed in North America and one in Benelux.

Large add-on sales deals were signed with clients in most business units, with particularly strong sales achievements in the Northern and Central European business units.

The additional order intake was positively impacted by around EUR 7.2m from four clients converting their perpetual contracts to subscription-based license contracts. The annual subscription-based payments will be higher than the software updates and support fees (formerly called maintenance fees) under the perpetual contracts due to sale of additional functionality in connection with the conversions.

However, the annual software updates and support fees will be EUR 1.0m lower, as the subscription license revenue according to IFRS 15 is recognized on contract completion.

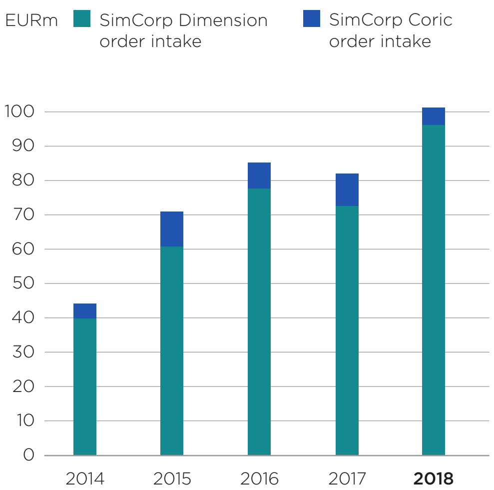
In comparison, additional order intake was increased by EUR 8.9m due to conversions in 2017, resulting in annual software updates and support fees being decreased by EUR 2.5m.

Total order book increased by EUR 20.7m from January 1, 2018 to EUR 45.5m at December 31, 2018, including an order book for SimCorp Dimension Client-Driven Development of EUR 17.7m (December 31, 2017: EUR 3.5m) and SimCorp Coric contracts of EUR 1.9m (December 31, 2017: EUR 0.9m). The order book increase is a consequence of income recognition being deferred until certain conditions are fulfilled.

The largest addition to the order book stems from the signing in December 2018 of a significant initial SimCorp Dimension license agreement with an Asian investment company. As the realization of the total contract value is subject to successful completion of milestones in the initial term of the contract, only a smaller proportion of the license revenue was recognized in 2018, while the majority of the license revenue is expected to be recognized in Q2 2019.

Another large addition to the order book stems from SimCorp having entered into a strategic framework agreement with one of its existing German clients in December 2018. In terms of the agreement, the client has committed to significantly increase its engagement with SimCorp over a three-year period, including investing substantially in Customer-Driven Development. The client will also expand its use of SimCorp Dimension, mainly in the front office and treasury areas, to be able to offer its own clients a wider range of services.

ORDER INTAKE FOR SOFTWARE LICENSES



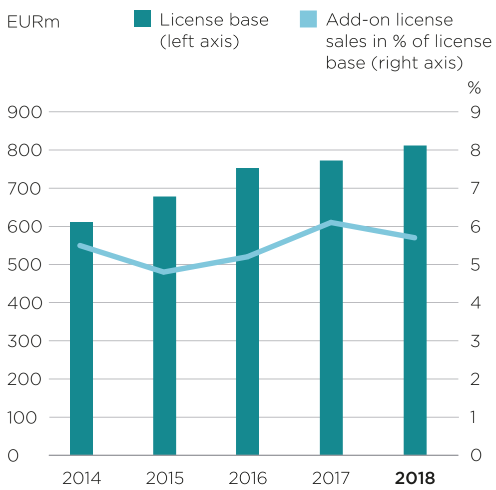
To enable comparison, the order intake and order book only include SimCorp Dimension and SimCorp Coric, not SimCorp Italiana (Sofia).

Measured as a percentage of the total value of the installed SimCorp Dimension license base, the add-on license sales were 5.7% in 2018 compared with 6.1% in 2017.

The accumulated value of the installed license base for SimCorp Dimension clients who have an installed license base above EUR 2m accounted for 91% of the value of the total installed license base compared with 91% in 2017.

Six clients canceled SimCorp Dimension contracts in 2018, of which one continued using SimCorp Dimension through an outsourcing client. Two SimCorp Coric and five small SimCorp Sofia licenses were terminated.

SIMCORP DIMENSION LICENSE BASE AND ADD-ON LICENSE SALES



Conversion rate: Add-on licenses as a percentage of the installed license base beginning of year.
License base: Accumulated license order value.

The annual software updates and support fee for these clients amounted to EUR 3.6m, equivalent to 0.9%-points of 2018 revenue compared with EUR 1.0m in 2017, equivalent to 0.3% of 2017 revenue.

INCOME STATEMENT 2018

REVENUE

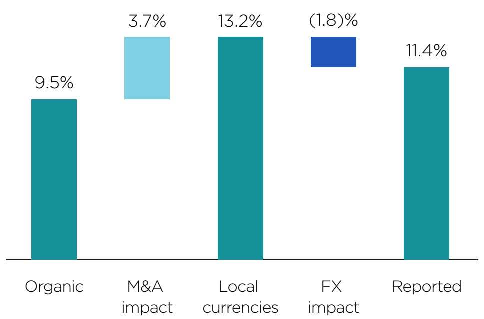
SimCorp derives revenue from three primary sources: license fees, software updates and support fees, and fees from professional services. License fees comprise sales to new clients and additional sales to existing clients.

SimCorp generated total revenue of EUR 382.6m in 2018 compared with EUR 343.4m in 2017, equal to an increase of 11.4%. The growth was primarily driven by strong license sales to new clients. Exchange rate fluctuations for the year had a negative impact on revenue of EUR 6.2m, equal to 1.8%. Measured in local currencies, revenue thus increased by 13.2%. The underlying organic revenue growth was 9.5%, reflecting a 3.7%-point positive impact from the acquisition of SimCorp Italiana in August 2017.

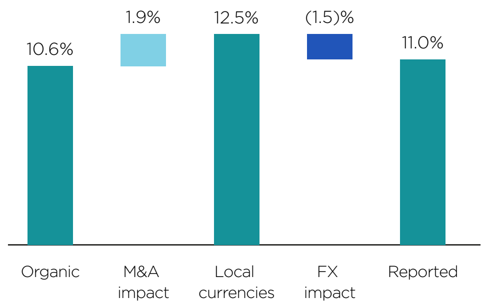
The impact of currency fluctuations and the acquisition of SimCorp Italiana on revenue growth is shown on the next page.

Total license fee recognized from licenses to new clients and add-on licenses to existing clients was EUR 86.3m, an increase of EUR 12.1m, or 16.3% compared with 2017. Currency fluctuations impacted total license fee negatively by 0.7%. Measured in local currencies, the increase was 17.0%, and the underlying organic revenue growth in total

2018 REVENUE GROWTH



2017 REVENUE GROWTH



license fee was 11.1% in 2018, reflecting a 5.9%-point positive impact from the acquisition of SimCorp Italiana. In license fee for 2018 includes revenue interest of EUR 1.1m related to the financing element in contract assets (2017: not restated and financing element recorded as financial income). In total, the reported total license fee revenue accounted for 22.6% of the Group's total revenue compared with 21.6% in 2017.

License fee from new sales increased by 62.9% from EUR 21.1m in 2017 to EUR 34.4m in 2018. Currency fluctuations impacted revenue negatively by 0.3%. The increase in license fee from new sales was caused by a combination of more and larger new sales than in 2017.

License fee from additional sales to existing clients – consisting of additional regular license sales, renewals of subscription-based licenses and conversion of perpetual licenses to subscription-based licenses – was in 2018 EUR 51.9m, of which EUR 4.4m related to the acquisition of SimCorp Italiana. In total, license fee from additional sales decreased by 2.2% compared with 2017 and the underlying organic growth was -9.6%.

In 2018, conversions accounted for 12% (2017: 14%) of the total add-on license sales, while renewals accounted for around 14% (2017: 4%), of which approximately 9%-points related to SimCorp Italiana, and additional regular license sales accounted for 74% (2017: 82%).

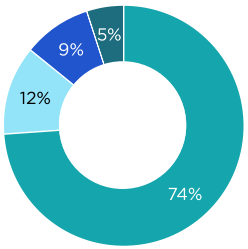
REVENUE

EUR '000	2018	Share of revenue 2018	2017	Share of revenue 2017	Revenue growth	Revenue growth local currencies	Organic revenue growth local currencies
Licenses - new sales	34,371	9.0%	21,094	6.1%	62.9%	63.2%	63.2%
Licenses - additional sales	51,885	13.6%	53,064	15.5%	-2.2%	-1.4%	-9.6%
Software updates and support [1]	149,585	39.1%	138,558	40.4%	8.0%	10.0%	7.9%
Professional services	133,679	34.9%	122,725	35.7%	8.9%	11.2%	6.7%
ASP hosting and training fees	13,106	3.4%	7,964	2.3%	64.6%	66.4%	66.2%
Total revenue	382,626	100%	343,405	100.0%	11.4%	13.2%	9.5%

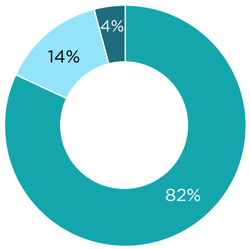
[1] Maintenance revenue has been renamed "Software updates and support" to better reflect the nature of the revenue.

The split in add-on license sales is shown below:

2018 ADD-ON LICENSE SALES SPLIT



2017 ADD-ON LICENSE SALES SPLIT



Software updates and support revenue increased by 8.0% from EUR 138.6m last year to EUR 149.6m with the completion and implementation of new client installations and new functionality to existing clients. Currency fluctuations impacted the software updates and support revenue negatively by 2.0%, while the acquisition of SimCorp Italiana impacted the software updates and support revenue positively by 2.1%. Consequently, organic growth in software updates and support revenue was 7.9%. Software updates and support revenue accounted for 39.1% of total revenue compared with 40.4% in 2017. License agreements signed in 2018 will increase annual software updates and support income by around EUR 10m once fully implemented, while canceled contracts in 2018 and conversions from perpetual to subscription-based licenses will decrease annual software updates and support income by around EUR 4.7m (2017: 3.5m).

Fees from professional services increased by 8.9% from EUR 122.7m last year to EUR 133.7m primarily due to strong sales of operational services to existing clients. Currency fluctuations impacted the professional services revenue negatively by 2.3%, while the acquisition of SimCorp Italiana impacted the professional services revenue positively by 4.5%, i.e. organic growth was 6.7%. Fees from professional services accounted for 34.9% of total revenue in 2018 compared with 35.7% in 2017.

ASP hosting and training fees amounted to EUR 13.1m compared with EUR 8.0m in 2017. In 2018, we added seven new SimCorp Dimension as-a-service (ASP) clients, bringing the total number of clients on an ASP hosted solution to 12, comprising eight clients in North America, two in UK, Northern Europe and Middle East, one in Central Europe, and one in APAC.

Revenue distribution
The ten largest clients generated around 22% (2017: 22%) of SimCorp's total revenue. In 2018, the largest client accounted for 4.5% (2017: 3.4%) of the revenue.

SimCorp entered 2019 with signed revenue for the full year of EUR 240.7m – an increase of EUR 24.9m compared with the beginning of 2018.

In 2018, SimCorp achieved a top-line growth of 38% in the designated growth market North America. The comparatively mature European markets also achieved relatively high growth rates, taking SimCorp's already strong position in these markets into consideration, while the top-line declined in APAC and Coric (for more details, see the Business Unit Review 2018, pp 26-27).

COSTS

Total operating costs (including depreciation and amortization) increased by 10.1% from EUR 254.7m in 2017 to EUR 280.5m. Currency fluctuations reduced the total operating costs by 1.4%. Measured in local currencies and adjusted for the impact from the acquisition of SimCorp Italiana of 3.0%, the organic operating costs increase was 8.5%.

The organic increase in operating costs was primarily related to the annual salary increase of around 3% and an increase in the number of employees, mainly due to the growth within the professional services business.

OPERATING COSTS

EUR'000	Costs 2018	Share of costs 2018	Share of revenue 2018	Costs 2017	Share of costs 2017	Share of revenue 2017	Growth	Growth local currencies	Organic growth local currencies
Cost of sales	148,786	53.1%	38.9%	132,528	52.0%	38.6%	12.3%	14.0%	11.4%
Research and development costs	69,879	24.9%	18.3%	64,797	25.4%	18.9%	7.8%	8.2%	3.6%
Sales and marketing costs	40,971	14.6%	10.7%	37,198	14.6%	10.8%	10.1%	12.1%	10.7%
Administrative expenses	20,864	7.4%	5.4%	20,199	8.0%	5.9%	3.3%	3.8%	0.3%
Total operating costs	280,500	100.0%	73.3%	254,722	100.0%	74.2%	10.1%	11.5%	8.5%

The average number of full-time employees increased by 9.4% from 1,421 in 2017 to 1,554 in 2018, of which 4.3%-points of the increase related to SimCorp Italiana. The number of employees were 1,660 at the end of 2018 compared with 1,547 at the end of 2017.

70% of SimCorp's total operating costs were directly related to employees compared with 69% in 2017.

The ratio of operating costs to revenue was 73.3% compared with 74.2% in 2017.

Cost of sales increased by 12.3% to EUR 148.8m. Measured in local currencies and adjusted for the impact from the acquisition of SimCorp Italiana, the organic cost of sales increase was 11.4%. Salary costs for implementation consultants are included in this category and account for a significant part of the cost of sales. The increase was mainly related to the employment of a larger number of professional services implementation consultants in North America and an increase in costs related to external implementation consultants due to a significantly higher business activity level in 2018. Cost of sales represented 38.9% of revenue compared with 38.6% in 2017.

Research and development costs increased by 7.8% to EUR 69.9m. Measured in local currencies and adjusted for the impact from the acquisition of SimCorp Italiana, the organic increase in research and development costs was 3.6%. Research and development costs decreased to 18.3% of revenue compared with 18.9% in 2017.

Sales and marketing costs increased by 10.1% to EUR 41.0m. Measured in local currencies and adjusted for the impact of the acquisition of SimCorp Italiana, the organic increase in sales and marketing costs was 10.7%. Sales and marketing costs represent 10.7% of revenue compared with 10.8% in 2017.

Administrative expenses increased by 3.3% to EUR 20.9m and thereby at a lower rate than the revenue growth. Measured in local currencies and adjusted for the impact of the acquisition of SimCorp Italiana, the organic increase in administrative expenses was 0.3%. Administrative expenses decreased to 5.4% of revenue compared with 5.9% in 2017. In 2017, administrative expenses included one-time transaction costs of EUR 0.4m related to the acquisition of SimCorp Italiana.

GROUP PERFORMANCE

SimCorp generated an EBIT of EUR 103.3m compared with EUR 88.9m in 2017, an increase of EUR 14.4m. Exchange rate fluctuations had a negative impact on EBIT of EUR 2.8m. EBIT margin increased from 25.9% in 2017 to 27.0%. When measured in local currencies the EBIT margin was 27.3% in 2018, with the main drivers behind the improved margin being revenue growth, SimCorp Italiana contribution, and cost focus. The underlying organic EBIT margin was 26.9%. The currency and acquisition impact on EBIT margin is shown to the right.

In 2018, share of profit after tax in associates of EUR 0.1m, financial income of EUR 4.7m, and financial expenses of EUR 5.6m resulted in a net financial expense of EUR 0.8m compared with a net financial expense of EUR 1.2m in 2017. Financial income and expenses are primarily related to foreign exchange adjustments.

Profit before tax was EUR 102.5m against EUR 87.7m in 2017. The tax charges for 2018 amounted to EUR 25.6m against EUR 21.2m in 2017. The effective tax rate was 24.9% compared with 24.2% in 2017.

The Group profit after tax was EUR 77.0m compared with EUR 66.5m in 2017. After foreign currency translation differences and other items of EUR -0.1m, the total comprehensive income amounted to EUR 76.9m against EUR 63.8m in 2017.

BALANCE SHEET

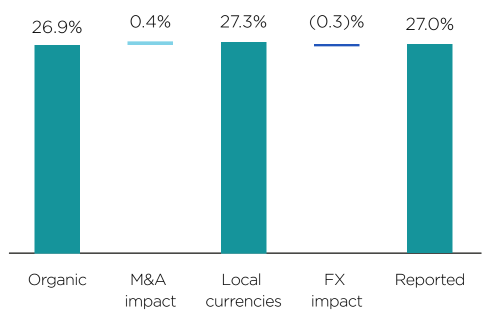
SimCorp had total assets of EUR 270.3m at December 31, 2018 compared with EUR 230.6m at December 31, 2017. The increase is primary related to the increase in contract assets of EUR 35.7m, reflecting the accounting effect of signing new subscription agreements in the last 12 months, and an increase in cash holdings of EUR 16.1m.

Cash holdings amounted to EUR 47.5m compared with EUR 31.4m at December 31, 2017. The difference is mainly due to improved operating cash flow. No buyback program for treasury shares took place in 2018 due to repayment in 2018 of the EUR 30.0m loan obtained in connection with the acquisition of SimCorp Italiana. The net cash position improved from EUR 1.4m at the end of December 2017 to EUR 47.5m.

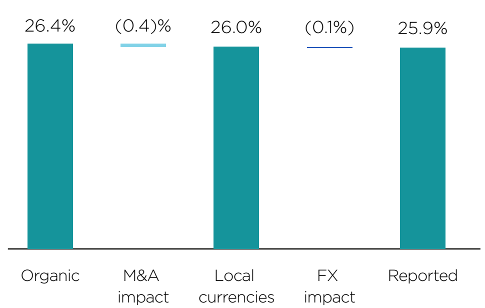
Despite the higher activity level, receivables decreased from EUR 86.1m at December 31, 2017 to EUR 79.2m, due to improved working capital management.

As a consequence of implementing IFRS 9 Financial Instruments from January 1, 2018, SimCorp has made an expected credit loss provision of EUR 0.7m related to contract assets and receivables at December 31, 2018. Since 2008, no actual losses have been incurred.

2018 EBIT MARGIN



2017 EBIT MARGIN



The Group's total non-current assets were EUR 4.9m lower compared with December 31, 2017, primarily due to the amortization of intangible assets.

Contract assets increased by EUR 35.7m compared with December 31, 2017, as new and additional subscription-based licenses added EUR 52.7m to contract assets in 2018, which exceeded invoiced subscription-based license fees of EUR 12.1m in 2018.

Goodwill was EUR 27.9m at December 31, 2018 compared with EUR 28.0m at the end of 2017. No impairment to goodwill was made in 2018.

The carrying amount of acquired software decreased by EUR 2.6m to EUR 5.1m and the value of client contracts decreased by EUR 1.1m to EUR 7.4m, primarily due to amortization.

Property, plant, and equipment amounted to EUR 5.4m against EUR 5.5m at the end of 2017. Deferred tax assets decreased by EUR 0.8m to EUR 2.3m.

SimCorp's total liabilities were EUR 101.2m at December, 2018, compared with EUR 114.0m a year earlier. The decrease is primarily related to the EUR 30.0m loan repayment.

CHANGES IN EQUITY

The Group's equity increased during the year from EUR 116.6m to EUR 169.1m. Comprehensive income amounted to EUR 76.9m against EUR 63.8m last year. The net effect of share-based payments related to restricted stock units was EUR 10.0m, compared with EUR 7.9m in 2017. Dividend payments of EUR 34.4m against EUR 33.2m last year and no purchase of treasury shares in 2018, due to the EUR 30m loan repayment, compared with purchase of treasury shares for EUR 25.1m in 2017, reduced equity by EUR 34.4m in 2018 compared with EUR 58.3m in 2017.

CASH FLOW STATEMENT

Operating activities generated a net cash inflow of EUR 82.2m against EUR 55.5m last year primarily due to positive working capital development in receivables, prepayments from clients, and payables. Payment of income taxes amounted to EUR 22.3m, against EUR 14.9m in 2017.

There was a net cash outflow of EUR 1.7m from investing activities compared with EUR 26.9m in 2017. Cash flow from investing activities included in 2017 a net payment of EUR 19.9m for SimCorp Italiana and a deferred payment of EUR 2.9m related to the acquisition of SimCorp Coric in 2014.

Free cash flow (cash flow from operations reduced by CAPEX) was EUR 80.2m compared with EUR 51.3m in 2017.

Cash conversion, defined as free cash flow divided by profit for the year, was 104% primarily due to changes in working capital of EUR 21.9m, EUR 3.8m less CAPEX than depreciation and amortization, and EUR 3.3m less tax paid than expensed.

Cash used in financial activities in 2018 related to payment of dividends of EUR 34.4m and loan repayment of EUR 30.0m. Financial activities in 2017 included borrowings of EUR 30.0m relating to the acquisition of SimCorp Italiana, while payment of dividend and purchase of treasury shares reduced liquidity by EUR 58.3m.

TREASURY SHARES

SimCorp purchased no treasury shares in 2018. SimCorp delivered 177,952 treasury shares with a nominal value of DKK 1 on the vesting of restricted stock units.

Furthermore, 4,142 treasury shares will be delivered after publication of this annual report as remuneration to the Board of Directors in accordance with a resolution adopted by shareholders at the Annual General Meeting 2018.

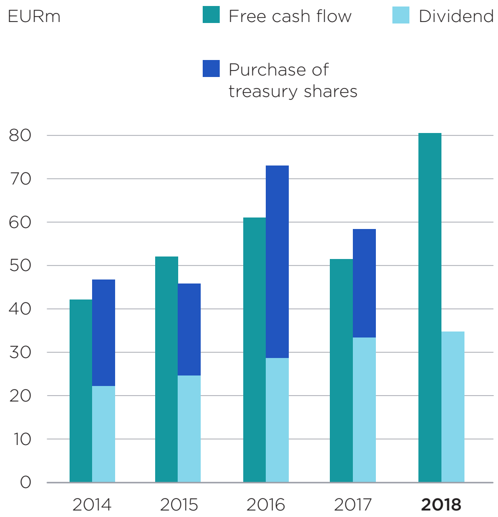
At December 31, 2018, SimCorp held 917,718 treasury shares with a nominal value of DKK 1 each (2.3% of the total share capital) at a cost of EUR 46.6m and a market value of EUR 54.8m. At December 31, 2017, SimCorp held 1,286,437 treasury shares with a nominal value of DKK 1 each (3.2% of the total share capital) at a cost of EUR 63.3m and a market value of EUR 61.0m.

THE PARENT COMPANY SIMCORP A/S

In 2018, the parent company generated revenue of EUR 198.7m, an increase of EUR 24.2m compared with 2017. The parent company received dividends totaling EUR 15.8m from subsidiaries in 2018 compared with EUR 11.6m in 2017.

Profit before tax for the year was EUR 93.1m against EUR 76.0m in 2017. Income tax amounted to EUR 18.4m compared with

FREE CASH FLOW/ CASH FLOW TO SHAREHOLDERS



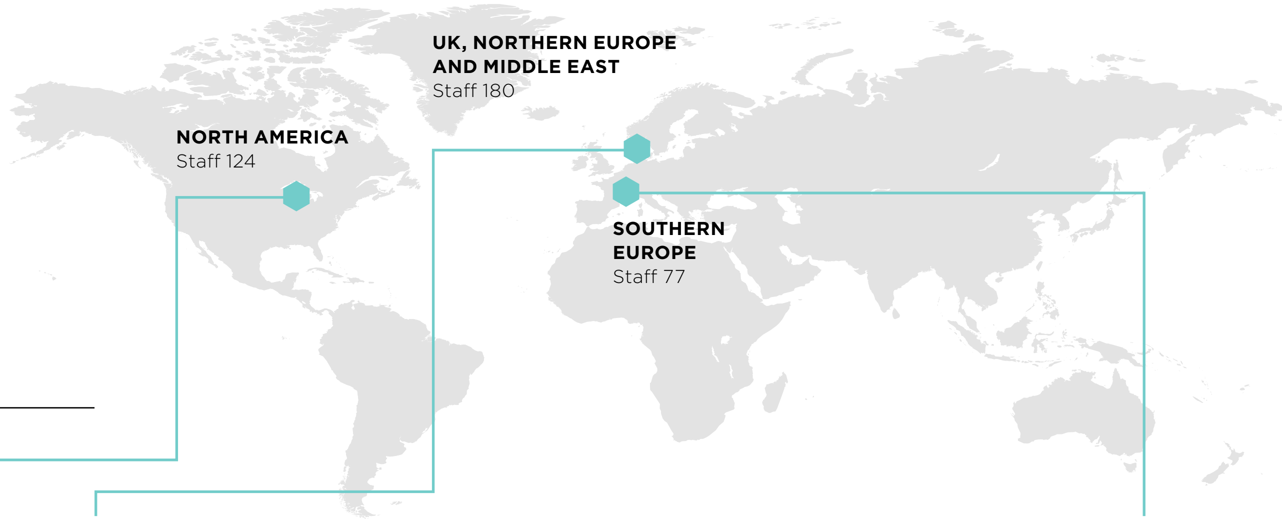
EUR 15.5m in 2017. Net profit of EUR 74.7m compared with EUR 60.4m in 2017.

Equity increased from EUR 103.6m at December 31, 2017 to EUR 153.5m at December 31, 2018.

PROFIT ALLOCATION

The Board of Directors intends to recommend to shareholders at the Annual General Meeting 2019 that, of the total recognized comprehensive income of EUR 74.2m, dividends of EUR 35.9m be declared, representing DKK 6.75 per share of DKK 1, and that EUR 38.3m be transferred to retained earnings.

1/2 BUSINESS UNIT REVIEW



NORTH AMERICA

The strong performance continued in North America in 2018 with total revenue growing 38%, driven by strong growth within license sales and professional services. Five new clients were signed, while two clients canceled contracts, bringing the total number of clients up to 31, equaling an estimated market share of 6% in North America. Further, three of the new license deals signed in 2018 are based on our as-a-service (ASP) offering. The new client wins and the order intake from additional licenses increased the value of the total installed license base by USD 15m, reaching USD 136m at the end of 2018.

UK, NORTHERN EUROPE AND MIDDLE EAST

As part of SimCorp's efforts to optimize the way the organization works in order to reach its growth targets, SimCorp decided to merge its UK and Middle East business unit with Northern Europe in 2018. With this change, SimCorp will be able to further improve the way it serves its clients across the region and its ability to win new clients. The merged business unit will enable further specialization, internal knowledge transfer and adoption of global best practices – all of which will benefit SimCorp's clients.

The newly formed business unit increased its total revenue by 7% in 2018. The growth was primarily driven by additional license sales and an increasing software updates and support revenue generated by the completion and implementation of new client installations and new functionalities sold to existing clients. Two new SimCorp Dimension clients were signed in the business unit, while one client canceled its contract, bringing the total number of clients up to 83, equaling an estimated market share of 27%. The installed license base was EUR 330m at the end of 2018.

SOUTHERN EUROPE

Southern Europe, consisting of France, Italy, and Spain, achieved total revenue growth of 18% in 2018. One client canceled its contract. One new client was signed in France, which was also the first client adopting the standard platform offering, which simplifies implementation process with predefined business processes. The revenue was driven by strong professional services revenue from implementing and operating client installations. The total installed license base grew by EUR 3m to EUR 61m at the end of 2018.

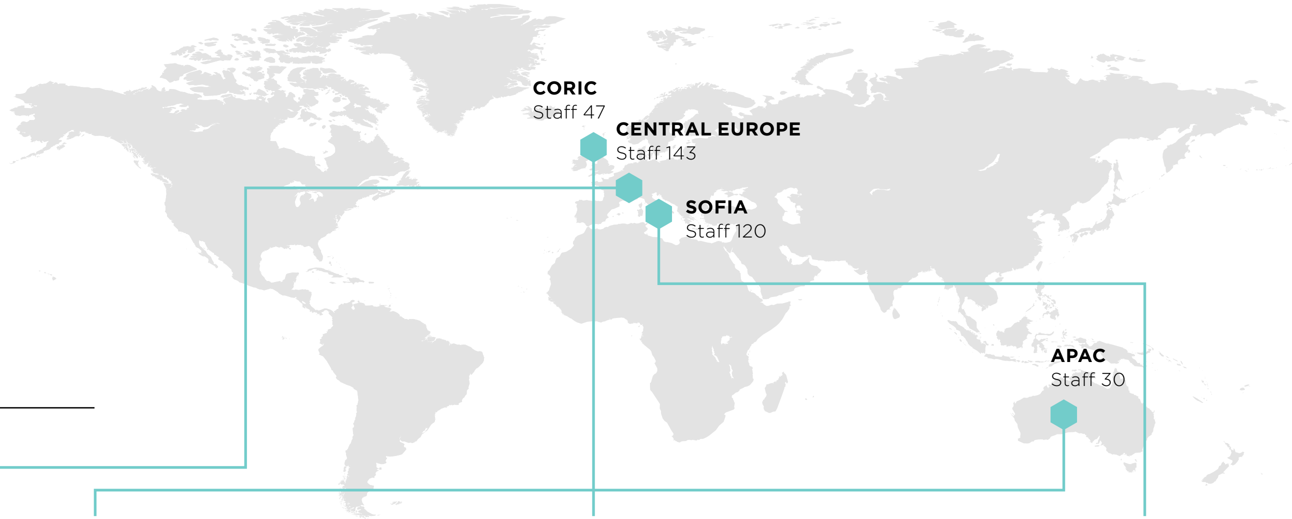
USDm	2018	2017	Change
Revenue	95.1	68.9	38%
New wins	5	4	
Market share	6%	5%	20%
SimCorp clients	31	28	11%
Number of employees	124	127	-2%

EURm	2018	2017	Change
Revenue	129.6	120.7	7%
New wins	2	1	
Market share	27%	26%	4%
SimCorp clients	83	82	1%
Number of employees	180	209	-14%

EURm	2018	2017	Change
Revenue	44.5	37.8	18%
New wins	1	0	
Market share	7%	7%	0%
SimCorp clients	10	10	0%
Number of employees	77	64	20%

The total market numbers for each business unit have been updated in 2018 to reflect an update of the asset under management thresholds deciding the size of SimCorp's potential market. The market shares for 2017 have been restated to reflect the update. See pp. 13-14 for more information on market definition and calculation of market share. In 2018, around 80 employees were moved from the business units to a global services support function. The number of employees in the business units for 2017 have not been restated.

2/2 BUSINESS UNIT REVIEW



CENTRAL EUROPE

In Central Europe, one new client was signed towards the end of the year, while two clients canceled contracts. Overall, the total revenue grew by 7% in 2018. The growth was primarily driven by the new license sales and software updates and support sales generated by the completion and implementation of new client installations and new functionalities sold to existing clients. Central Europe currently holds 50 clients, equaling an estimated market share of 45%. The total value of the installed license base was EUR 236m at the end of 2018.

EURm	2018	2017	Change
Revenue	80.5	75.0	7%
New wins	1	1	
Market share	45%	46%	-2%
SimCorp clients	50	51	-2%
Number of employees	143	164	-13%

APAC

In APAC, total revenue declined by 30% in 2018 compared with the strong growth in 2017. One new large client was signed in Asia in 2018, but only a minority of the revenue was recognized in 2018. In 2018, SimCorp expanded its presence in the APAC region with the opening of a new office in Japan. Currently, SimCorp holds 16 clients in the APAC region, corresponding to an estimated market share of 9%. The total value of the installed license base was AUD 99m at the end of 2018.

AUDm	2018	2017	Change
Revenue	32.0	45.8	-30%
New wins	1	2	
Market share	9%	8%	13%
SimCorp clients	16	15	7%
Number of employees	30	25	20%

SIMCORP CORIC

SimCorp Coric performed below expectations in 2018, with revenue down compared to last year, although some revenue from new sales was recognized in the regional business units. Only three new SimCorp Coric clients were signed in 2018, one of these already being a SimCorp Dimension client, while two clients canceled contracts, bringing the total number of clients up to 63. The 63 clients comprise of 29 SimCorp clients who are also SimCorp Dimension clients and 34 SimCorp clients who are only SimCorp Coric clients.

GBPm	2018	2017	Change
Revenue	6.1	9.6	-36%
New wins	2	3	
SimCorp Coric clients who are also SimCorp Dimension clients	29	29	0%
SimCorp Coric clients who are only SimCorp Coric clients	34	33	3%
Number of employees	47	62	-24%

SIMCORP SOFIA

2018 was the first full year of ownership by SimCorp. In August 2017, SimCorp acquired A.P.L. Italiana (renamed SimCorp Italiana), whose main product offering, Sofia, has been rebranded SimCorp Sofia. In 2018, SimCorp Sofia generated total revenue of EUR 18m. One new client was signed in 2018, while five clients canceled contracts, bringing the total number of SimCorp Sofia clients to 51. The 51 clients comprise four SimCorp Sofia clients who are also SimCorp Dimension clients and 47 clients who are only SimCorp Sofia clients.

EURm	2018	2017 Aug. 1 - Dec. 31	Change
Revenue	18.1	5.8	n.m.
New wins	1		
SimCorp Sofia clients who are also SimCorp Dimension clients	4	5	-20%
SimCorp Sofia clients who are only SimCorp Sofia clients	47	50	-6%
Number of employees	120	119	1%

The total market numbers for each business unit have been updated in 2018 to reflect an update of the asset under management thresholds deciding the size of SimCorp's potential market. The market shares for 2017 have been restated to reflect the update. See pp. 13-14 for more information on market definition and calculation of market share. In 2018, around 80 employees were moved from the business units to a global services support function. The number of employees in the business units for 2017 have not been restated.

RISK MANAGEMENT

As SimCorp operates in a continually changing and highly volatile business environment, its Board of Directors and management regard it as essential that the company's risk exposure is thoroughly monitored and controlled on an ongoing basis. To ensure this, a framework of risk policies and risk mitigating procedures is in place and continually reviewed and updated.

SimCorp's business involves a number of commercial and financial risks, which could have a negative impact on the company's future activities and results.

To manage risk, principal factors categorized as potential risks are systematically monitored, analyzed, and managed.

Overall, SimCorp's management believes the company is prepared to manage its potential risk challenges.

RISK MANAGEMENT AT SIMCORP

RISK ANALYSIS

An Enterprise Risk Management process is applied to identify relevant gross risks in SimCorp's major units. Each risk is described, including risk mitigation activities in place or planned. The identified risks are assessed in relation to probability of occurrence and impact on EBIT. The net risk after mitigating factors is reported, and movements from one quarter to another are monitored.

RISK EVALUTION

SimCorp management continually monitors risk development in the SimCorp Group. Each quarter, the main risks and accompanying mitigating actions are presented to the Audit Committee and Board of Directors, who discuss whether the risk situation is acceptable and, if not, decide what further mitigating actions are required.

RISK CONTROL

The Audit Committee carries out an analysis of the ongoing process of identifying and reporting risks to the Board of Directors in order to ensure that the underlying risk identification method is appropriate and reflects the true risk picture.

RISK CATEGORY

MARKETS AND CLIENTS

Responding timely to investment management market trends is critical to SimCorp's ability to stay competitive. Failing to spot these trends represents a risk.

Competitors' expansion of service-offerings and distribution could also endanger SimCorp's leading market position. New local requirements or legislation may also influence the demand for SimCorp's offerings.

With 24% of SimCorp's client base belonging to the top 100 global investment managers, losing one of these or their default on payment could have a substantial impact on SimCorp's revenue and profitability.

PRODUCT INNOVATION AND QUALITY

Product innovation, improved technical infrastructure, and enhanced technical capabilities are fundamental elements in meeting new system requirements in the market. Being unable to deliver those elements in a timely fashion could potentially mean that SimCorp's product and services would end up as a legacy offering.

SimCorp's ability to offer clients the best software with the highest possible configurability and flexibility is paramount. Inadequate quality control and testing prior to the release of new software versions increase the risk of reduced client satisfaction and loyalty.

FINANCIAL REPORTING

Generally, financial reporting involves the risk of non-compliance with applicable regulations.

There is also a risk of inadequacy in internal controls designed to detect and avoid significant errors and omissions in financial reporting.

REGULATORY ISSUES AND FISCAL POLICIES

Protecting SimCorp's long-term business interests is vital to its continued operations. This includes legal risk that may impact SimCorp's business.

SimCorp believes contractual risk as well as legal risk related to regulatory requirements are critical. Failure to meet or implement regulatory requirements in a timely fashion with respect to, for instance data protection, confidentiality agreements, IPR, corruption and fraud constitutes a risk.

SimCorp is subject to tax and fiscal policies in the countries in which the company operates. Changes to local policies may affect SimCorp's tax and fiscal position.

Due to the nature of SimCorp's operations, the company is exposed to changes in currency exchange rates.

The EU general data protection regulation (GDPR) applied from May 2018 with the objective to give citizens back control of their personal data. Failure to comply with GDPR represents a risk.

POLITICAL RISKS

With offices and sales across the world, SimCorp is from time to time affected by geopolitical uncertainties and unrest.

Further, since 2007, SimCorp has had a development unit based in the Ukraine.

With the UK's vote to leave the EU, changing business conditions in the UK pose a risk for SimCorp's local operations.

RISK MITIGATION

MARKETS AND CLIENTS

Through extensive market research and industry analysis, SimCorp keeps abreast of trends and movements in the global financial markets.

Its close and longstanding client relationships allow SimCorp to anticipate and respond to new preferences and requirements. In addition, SimCorp actively monitors contracts to manage risks.

Although 24% of SimCorp's clients are among the top 100 global investment managers, the SimCorp Group has no client with revenue of more than 4.5% (2017: 3.5%) of total revenue.

PRODUCT INNOVATION AND QUALITY

Bi-annually, SimCorp offers updated versions of SimCorp Dimension (quarterly from 2019), including enhanced system functionality and technical infrastructure based on a systematic prioritization of client and market requirements. A best-practice agile development method enables quick adaptation to changes in market and client demands. This also shortens the extensive control and testing period prior new version releases, securing an even better software quality.

SimCorp continually raises and follows up on internal quality targets and has been able to achieve a decrease in the number of errors in new software releases.

FINANCIAL REPORTING

SimCorp's business procedures and controls ensure compliance with financial reporting requirements. The full wording of SimCorp management's statutory responsibilities under section 107 b of the Danish Financial Statements Act is available on SimCorp's website: www.simcorp.com/corporate-governance.

The Executive Management Board monitors compliance and provides the Board of Directors with relevant legislation and reports.

REGULATORY ISSUES AND FISCAL POLICIES

SimCorp ensures that all contracts entered into are carefully worded. SimCorp's due diligence and procurement processes, as well as the 'Guideline for Good Business Behavior' established for all employees and suppliers, ensure that the company's value-based principles are adhered to, including safeguarding against corruption.

SimCorp's Group Finance department manages the company's currency and financial exposures pursuant to the treasury policy approved by the Board of Directors, and is required to keep the overall currency and financial exposure within defined limits.

Furthermore, Group Finance is diligent in ensuring that, in line with the tax policy, SimCorp is at all times tax compliant in the countries in which SimCorp conducts business.

SimCorp has implemented a number of business procedures and controls to have transparency of individual activities and an overview of financial exposure.

SimCorp's Group Legal and Compliance department ensures and monitors corporate GDPR compliance.

POLITICAL RISKS

Political and economic unrest in countries and regions where SimCorp operates or plans to operate is monitored and fully considered when making operational and strategic decisions.

Due to the political situation in the Ukraine, SimCorp monitors the situation in that country. The Ukrainian office is based outside of Kiev and, so far, SimCorp has not seen any substantial risk associated with operating in the country.

SimCorp monitors the impact of Brexit. The UK's contribution to the SimCorp Group's revenue is less than 6% of total revenue.

SimCorp's business model has previously proved to be strong during financial crises where the impact has been very low.

RISK CATEGORY	RISK MITIGATION
SOLUTIONS AND SERVICES After going live with the solution, the most apparent risk is possible breach of service level agreements, security requirements, or other committed standards. Implementation projects not priced correctly or not having a clear scope pose a risk of significant cost overruns, as well as causing delivery risk being transferred to SimCorp. Offering SimCorp Dimension as a service introduces operational risks of running clients' operational IT environments. This in turn exposes SimCorp to potential financial and reputational risks, should operations be negatively impacted by errors or downtime. Related services are provided by SimCorp and subcontractors engaged by SimCorp. If SimCorp fails to balance the requirements of clients and agreements with these subcontractors, SimCorp risks impairing the clients' businesses as well as its own.	**SOLUTIONS AND SERVICES** SimCorp professional services apply a global delivery model leveraging a standard methodology based on industry best practices and standard components. This approach gives existing and new clients a lean and efficient solution-delivery service, driving increased quality and value, while reducing risk and cost for small and large projects alike. It is key for SimCorp to provide standardized end-to-end serviced solutions, both during implementation and after clients have gone live. SimCorp has established various measures to control both external and internal risk to the provision of full-service packages. Externally, a due diligence process is conducted on each subcontractor to ensure it meets SimCorp's requirements; financially, organizationally, and product-wise. Internally, a clear description and overview of each delivery component allows for a clear segregation of duties. SimCorp's consultants undergo regular training to maintain and develop the required knowledge and experience in relation to the operational services. Larger complex implementation contracts are evaluated, approved, and monitored using a Group standard.
IT RISK As a software company with a core business based on modern information technology, SimCorp's failure to adequately protect itself against IT risk, represents a particular risk. Cybercrime including unauthorized access to SimCorp's network and data could endanger applications as well as the infrastructure and the technical environment stored on SimCorp's network. The same goes for virus attacks and theft of code and know-how which could also entail prolonged system breakdowns impairing productivity and potentially rendering SimCorp unable to service its clients. SimCorp currently delivers SimCorp Dimension as-a-service (ASP) for twelve clients, operating the clients' systems in a third-party hosted environment. Any failure of the hosting provider could result in prolonged system breakdowns that would impair productivity and potentially render SimCorp unable to service clients.	**IT RISK** SimCorp monitors its technical infrastructure to identify and minimize risk to the company's production and operation. Established procedures and solutions enable a quick restoration of critical business services. SimCorp upholds a high data security level and strict access control to the physical environment and data network. Controls are monitored and reviewed to optimize information security. SimCorp management and employees are regularly updated on new potential cybercrime threats and how to minimize the risk of phishing and hacking. SimCorp has a disaster recovery plan for restoring all critical business services and makes use of state-of-the-art tracing software for detecting unintended access, or attempts, to SimCorp's network. The suppliers of this software are diligently screened, using both expert assessments of the product as well as in-house proof of concept. SimCorp holds an ISAE 3402 Type 2 report on our third-party service providers and the hosting provider has undergone substantial successful due diligence performed by SimCorp and its external partners. Furthermore, SimCorp has back-to-back agreements with its third-party servide providers.
PEOPLE AND CORPORATE CULTURE SimCorp's business is based on specialized expertise and innovation. It is imperative that SimCorp continues to attract, develop, and retain the most skilled employees and management talent. Failure to do so constitutes a risk to the Group. Moreover, it is considered a genuine risk to SimCorp's long-term position, if the company's corporate values do not continue to serve as a core basis for business execution and development	**PEOPLE AND CORPORATE CULTURE** To ensure SimCorp's ability to attract talented employees, an 'Employer Value Proposition' program is in place to strengthen the company's employer brand by increasing the awareness of what SimCorp has to offer new employees. To retain talent in SimCorp, mentoring and leadership training programs are in place. Substantial resources allocated to training and development programs ensure the strengthening of professional and personal skills across the organization. To ensure SimCorp's business is conducted in accordance with corporate values, a Guideline for Good Business Behavior for all employees and suppliers has been established and annual online training is conducted.

SimCorp's Corporate Governance Guidelines

For further details on procedures of SimCorp's risk management, see pages 12-13 in its Corporate Governance Guidelines.

Klaus Vandewalle
COO
KBC Asset Management

To support our growth strategy and reduce complexity, we looked for an integrated front office solution. By choosing SimCorp Dimension, we have increased our operational efficiency substantially and can direct our efforts towards more value-adding activities

CORPORATE **GOVERNANCE** REPORT

SimCorp's Board of Directors has reviewed each of the current Danish recommendations on corporate governance issued by Nasdaq Copenhagen and has concluded that, with two exceptions, SimCorp is in full compliance with the recommendations. The Board has decided on specific measures on the two exceptions.

SimCorp's Corporate Governance Guidelines are intended to ensure an efficient and adequate management of SimCorp within the framework defined by applicable legislation, rules, and recommendations for listed companies in Denmark and by SimCorp's articles of association, mission, vision, and values.

Download: Corporate Governance Guidelines 2018

SIMCORP'S STAKEHOLDER RELATIONSHIPS

SimCorp's overall management objective is to promote the long-term interests of the company, and thus of all stakeholders. This objective assumes that SimCorp establishes lasting and constructive relationships with the Group's primary stakeholders: clients, employees, shareholders, and society.

THE WORK OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT BOARD

The Board of Directors is a collective body for promoting the long-term interests of the company. The Board is responsible for ensuring that the overall strategic management and the financial and managerial control of the Group are conducted adequately. Thus, the Board monitors the Group's strategic direction, financial condition, risk management, and business activities on an ongoing basis.

COMPOSITION AND QUALIFICATIONS OF THE BOARD OF DIRECTORS

The Board of Directors is constituted to ensure its independence, adequate collective competences, and experiences within executive management disciplines related to global corporations, information technology, and business-to-business sales and implementation of software, and to hold a sufficient number of members to enable an appropriate distribution of tasks and an effective decision-making process. As provided in the company's articles of association, SimCorp's Board currently consists of between four and eight members elected by the company's shareholders in addition to members elected by and among the company's employees. Accordingly, following the Annual General Meeting (AGM) 2018 and the Extraordinary General Meeting in May, the Board consists of seven members elected by the shareholders and three members elected by employees.

Self-assessment

As part of its annual wheel activities, the Board of Directors carries out a self-assessment. As in 2017, the process was in 2018 facilitated by a third party, Odgers Berndtson, and comprised an evaluation of the work and contribution of the Executive Management Board, the Board of Directors, the Audit Committee, and the Nomination and Remuneration Committee within the areas of strategy, finance, risk management, sales, organization, management, and operations. The Board of Directors also evaluated, if the total number of management functions, including their level and complexity, taken on by each board member was considered appropriate.

It was concluded that the Board's work is effective, that the members collectively contribute to the required areas of expertise, and that none of the directors are over-boarded.

The Board also concluded that the geographies represented by its members – Northern Europe, Southern Europe, the UK, and North America – reflect an extensive coverage of SimCorp's markets.

Finally, the Board concluded that SimCorp complies with the Danish Corporate Governance Guidelines' recommendation that at least half of the members elected by the AGM are independent.

At the AGM 2019, Jesper Brandgaard will resign after 12 years as member of the Board, 11 of these as Chairman. As new Chairman, the Board proposes the current Vice-Chairman, Peter Schütze, who has served as Vice-chairman since 2012. Peter brings more than 30 years of management experience from international financial institutions, and holds board and chairman positions in several other large companies. Morten Hübbe is proposed as new Vice-chairman. Morten brings chief executive experience from a listed company. The Board does not propose any new members to the Board.

Risk management

The Board of Directors has the overall responsibility for ensuring that SimCorp maintains appropriate procedures to monitor, measure, and manage the company's risks and that such procedures are firmly embedded in the company's organization. As part of its risk management, the Executive Management

BOARD OF DIRECTORS AND COMMITTEES – MEETING PARTICIPATION IN 2018

	Board of Directors	Audit Committee	Nomination and Remuneration Committee
Jesper Brandgaard	6/6		3/3
Peter Schütze	6/6		3/3
Simon Jeffreys	6/6	4/4	
Hervé Couturier	6/6		3/3
Joan Binstock[1)]	4/4	3/3	
Adam Warby	6/6		
Else Braathen	6/6	4/4	
Morten Hübbe[2)]	3/3		
Ulrik Elstrup Hansen	6/6		
Vera Bergforth	6/6		3/3
Patricia McDonald[3)]	2/2	1/1	

[1] Elected March 23, 2018. [2] Elected May 9, 2018. [3] Resigned March 23, 2018.

Board and the Board of Directors have defined and described the most critical risks to SimCorp and the related mitigating actions. A more detailed description is provided in the section 'Risk Management', pp 28-30.

Further, the company maintains a whistle-blower hotline, which is intended to enable reporting on suspected irregularities in the business. SimCorp has engaged a third party, Got Ethics, who provides an internet-based reporting tool. Reports sent through the whistleblower hotline are electronically submitted directly to the Chairman of the Audit Committee and an independent member of SimCorp's Board of Directors.

Whistleblower Policy

NOMINATION AND REMUNERATION COMMITTEE

Following the Annual General Meeting in March 2018, SimCorp formed a joint Nomination and Remuneration Committee. This committee assists the Board with oversight of the competence profile and composition of the Board, nomination of members and committees, succession plans for the Executive Management Board, remuneration packages and policies for the Board of Directors and Executive Management Board, and other tasks on an ad-hoc basis as decided by the Board. The Nomination and Remuneration Committee consists of four members elected by the Board on a one-year term by and among the Board of Directors. Further, SimCorp's CEO is a regular attendee at meetings of the Nomination and Remuneration Committee. In 2018, the committee held three meetings.

Exceptions from the Danish corporate governance recommendations

Severance payments

For three existing executive services agreements, the total severance pay during the notice period exceeds the recommended two years' remuneration in the event of change of ownership as the severance payment is up to nine months, and the notice period is extended to 24 months for two executives and 36 months for one executive. In future agreements, SimCorp will ensure the total remuneration does not exceed the recommended threshold. Refer to page 37 for more details on severance payments.

Vesting period for restricted stock units

The long-term incentive program (LTIP) for the Executive Management Board includes variable components in the form of restricted stock units with a vesting period below three years. From the financial year 2019, SimCorp will follow the recommendation to keep the vesting period to a minimum of three years.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors by monitoring SimCorp's financial reporting, its financial internal control and financial risks, as well as the quality, effectiveness, and independence of the external audit for the SimCorp Group of companies. The Audit Committee consists of three members elected by the Board on a one-year term by and among the Board of Directors. The Audit Committee meets as often as it and its Chairman deem necessary, however, at a minimum, the Committee will meet four times a year at appropriate times in the reporting and audit cycle. In 2018, four meetings were held.

Pursuant to the Danish corporate governance recommendations, it is recommended that the majority of the members of the Committee qualify as independent and the committee should possess the necessary financial expertise. The members of the Audit Committee are shown in the table on the left-hand side. See SimCorp's Corporate Governance Guidelines for a full description of the Audit Committee's activities.

External auditor – tasks, objectivity, and independence

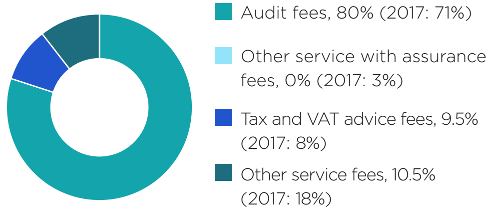
The Audit Committee reviews and monitors the company's ongoing relations with and the independence of the external auditors. Based on recommendations from the Audit Committee and the external auditors, the Board of Directors decides whether there are areas to which the external auditors should pay special attention.

During the year, the Audit Committee has been informed about the external auditor's policies and procedures for safeguarding its

AUDITOR FEE

EUR '000	2018	2017
Audit fees	346	422
Other service with assurance fees	-	17
Tax and VAT advice fees	41	47
Other service fees	45	109
Total auditor fee	**432**	**595**

AUDITOR FEE 2018



objectivity and independence, and the audit partners and firm rotation requirements have been routinely observed. During the year, the Committee has approved audit-related and non-audit related services fees according to the Audit Committee guidelines for approval of non-audit services. Audit fees include the audit of the consolidated and local financial statements as well as services related to the audit of the adoption and interpretation of new IFRS regulations.

Other ongoing activities

As part of its annual wheel activities, the Audit Committee reviews SimCorp's accounting policies, compliance with reporting requirements, risk policy and assessment, internal controls, whistleblower policy, insurance principles, and interim reports. It does deep-dives into specific topics, for example, risk associated with long-term contracts.

Assessment

During 2018, the SimCorp Audit Committee was satisfied with auditor independence, and with the management of risks within the areas it monitors for the Board of Directors.

CORPORATE SOCIAL RESPONSIBILITY

Statement on corporate social responsibility, cf. Section 99 a of the Danish Financial Statements Act

Download: Corporate Social Responsibility Statement and ESG Report 2018

Corporate social responsibility (CSR) in SimCorp is firmly based on the Group's core values and 'Corporate Governance Guidelines' as adopted by the Board of Directors. SimCorp's commitment to corporate sustainable development is based on combining financial performance with socially responsible behavior and environmental awareness.

SimCorp's approach to CSR is described through different elements of its business behavior guidelines, including the company's 'Guideline for Good Business Behavior 2018', 'Diversity and Inclusion Policy' (see 'Diversity Report 2018'), 'Remuneration Guidelines 2018' and 'Corporate Governance Guidelines 2018', which include policies and principles for employees, ethics, human rights, suppliers, the environment, stakeholder engagement, governance, bribery and anti-corruption that aim to maintain its professional and commercial relations with internal and external stakeholders based on mutual respect.

Download: Guideline for Good Business Behavior 2018

Download: Remuneration Guidelines 2018

SimCorp contributes to specific UN Sustainable Development targets and our results on a range of non-financial metrics are reported in the Corporate Social Responsibility Statement and ESG Report 2018.

SimCorp maintains high standards when it comes to confidentiality and protection of personal data. This is ensured through compliance with technical data security standards and processes, as well as ongoing education of the employees in how to handle data in accordance with legislative requirements and confidentiality. A framework is in place to ensure that SimCorp complies with the General Data Protection Regulation (GDPR).

Regarding the environment, SimCorp promotes responsibility and use of environmental-friendly technologies, especially electricity, heat-related energy, and CO2, which are the key environmental factors affected by SimCorp's business model (see page 12). As an example, SimCorp's travel policy guides SimCorp employees to replace travel activity by video conferences whenever possible. A statutory energy report is conducted as and when required in accordance with EU law.

Due to the nature of its business model and its associated risks, SimCorp does not have a specific human rights policy. SimCorp's approach to human rights is based on our corporate value statement: "we are determined, enthusiastic, and perform with integrity – together" that is also the foundation for our business relationship with suppliers. It is part of the procurement process that suppliers are requested to confirm adherence to a number of principles, including compliance with the UN convention on child labor, article 32.1, and the respect for an equal status between the sexes and between persons of different races and religion. Further, SimCorp does not accept products and services which have directly or indirectly been designed, manufactured, produced, or procured in contravention of local environmental legislation or other legislation, or by means of corruption, bribery, or other fraudulent behavior.

DIVERSITY

Report on the underrepresented gender, cf. Section 99 b of the Danish Financial Statements Act

Download: Diversity Report 2018

As decribed described in its Diversity and Inclusion Policy, SimCorp aims to promote dversity, including a reasonable representation of both genders at Board and management level. This goal is based on a wish to strengthen the versatility and total competences of the business and to improve decision-making processes.

Regarding the Board, it was the company's target to have at least two directors of the underrepresented gender elected by the shareholders in 2018. With the election of Joan A. Binstock and Morten Hübbe as Board members in 2018, only one of the seven shareholder-elected directors is of the underrepresented gender, which means the target figure has not yet been reached. It is SimCorp's goal to reach the target over the next two years.

It is SimCorp's goal that the proportion of women in the total management team reflects the overall proportion in the SimCorp Group. Activities to reach this goal is described in the Diversity Report 2018. At the end of 2018, the total management team comprises 69.0% (2017: 70.9%) men and 31.0% (2017: 29.1%) women. Overall, SimCorp's staff comprises 67.0% (2017: 66.8%) men and 33.0% (2017: 33.2%) women.

REMUNERATION REPORT

SimCorp's remuneration policy and incentive programs have been designed to promote awareness of SimCorp's strategic goals and long-term value creation among Board members, executive management, and employees.

At SimCorp, remuneration and incentive levels are set to be competitive and aligned with the interests of both the program participants and the shareholders. The remuneration packages for SimCorp's Board of Directors (BoD) and Executive Management Board (EMB) are composed of the components illustrated in the table below.

REMUNERATION PACKAGE COMPONENTS

SimCorp Board of Directors (BoD) and Executive Management Board (EMB)

Remuneration	BoD	EMB	Comments
Fixed fee/base salary	✓	✓	
Fee for committee work	✓		Members of the Audit Committee and Nomination and Remuneration Committee
Short-term cash-based incentive		✓	Up to 90% of base salary
Long-term share-based incentive		✓	100% of base salary
Travel allowance and other expenses	✓		
Benefits		✓	Company cars, phones, etc., comprising up to 10% of base salary
Severance payments		✓	Up to nine months' base salary

BOARD OF DIRECTORS

Overall remuneration model

The overall remuneration level for SimCorp's Board of Directors is in line with compensation levels for Boards of Directors at comparable Danish companies and Danish and international corporate governance guidelines. SimCorp's remuneration policy lays out a clear description of SimCorp's remuneration principles and procedures, and the company aims for simplicity and transparency in all its compensation packages.

Upon the Annual General Meeting's (AGM's) decision in March 2018, the remuneration of the Board of Directors' members, including committee fees, remained unchanged. To comply with Nasdaq Copenhagen's Corporate Governance Recommendations, it was also decided to form a Remuneration Committee and make it part of the existing Nomination Committee, without changing fees.

Fixed fees and fees for committee work

The remuneration of the Board of Directors is composed of a cash element (2/3 of remuneration) and a share element (1/3 of remuneration), both calculated each year to be aligned with the level proposed at the AGM.

Travel allowance and other expenses

SimCorp pays a travel allowance of EUR 2,500 for meetings for Board members conducted outside their home country and reimburses Board members for relevant expenses such as travel and accommodation in relation to Board meetings.

Share-based payment

The value of the shares allotted to the members of the Board of Directors is determined immediately prior to the AGM, where the shareholders approve the remuneration. The shares are transferred on an annual basis in arrears.

BOARD OF DIRECTORS & COMMITTEES - REMUNERATION (CASH AND SHARE-BASED)

Fee	Board		Audit Committee		Nomination and Renumeration Committee	
	DKK	EUR	DKK	EUR	DKK	EUR
Chairman	937,500	125,000	187,500	25,000	93,750	12,500
Vice-chairman	562,500	75,000	N/A	N/A	N/A	N/A
Member	375,000	50,000	93,750	12,500	46,875	6,250

BOARD OF DIRECTORS – REMUNERATION

EUR '000	Board fees			Fees for committee work			Travel allowance			Share-based payment			Total		
Remuneration	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Jesper Brandgaard (Chairman Board & NRC)	84	84	84	8	6	-	-	-	-	46	46	42	138	136	126
Peter Schütze (Vice-chairman Board & NRC)	50	50	50	4	3	-	-	-	-	27	27	25	81	80	75
Hervé Couturier (NRC)	34	34	34	4	3	-	12	11	6	19	19	17	69	67	57
Simon Jeffreys (Chairman AC)	34	34	34	17	17	16	20	17	13	25	25	25	96	93	88
Adam Warby[1]	34	34	-	-	-	-	12	10	-	17	17	-	63	61	-
Joan Binstock[2] (AC)	34	-	-	8	-	-	20	-	-	21	-	-	83	-	-
Morten Hübbe[3]	34	-	-	-	-	-	-	-	-	17	-	-	51	-	-
Patricia McDonald[4]	-	34	34	-	8	8	-	17	9	-	21	21	-	80	72
Franck Cohen[5]	-	-	8	-	-	-	-	-	3	-	-	-	-	-	11
Else Braathen[6] (AC)	34	34	34	8	8	8	3	-	2	21	21	21	66	63	65
Vera Bergforth[6] (NRC)	34	34	34	4	3	-	12	10	6	19	19	17	69	66	57
Ulrik Elstrup Hansen[6]	34	34	34	-	-	-	-	-	-	17	17	17	51	51	51
Total	**406**	**372**	**346**	**53**	**48**	**32**	**79**	**65**	**39**	**229**	**212**	**185**	**767**	**697**	**602**

[1] Elected March 29, 2017.
[2] Elected March 23, 2018.
[3] Elected May 9, 2018.
[4] Appointed March 31, 2014 and resigned March 23, 2018.
[5] Appointed April 1, 2016 and resigned May 18, 2016.
[6] Employee-elected effective April 1, 2016.

BOARD OF DIRECTORS – RESTRICTED STOCKS UNITS AND SHARES AWARDED

	2018	**2017**	**2016**
Total number of shares allotted[1]	4,241	4,120	4,873
Total number of restricted stock units to employee-elected Board members[2]	675	621	842

[1] Allotted as part of the remuneration of the Board of Directors. For 2018, the allotment will take place immediately after publication of this Annual Report in February 2019.
[2] Restricted stocks units in capacity as employees of SimCorp A/S. For further details, refer to note 7.1.

EXECUTIVE MANAGEMENT BOARD

Overall remuneration model

In line with the Remuneration Guidelines approved by the AGM, the Chairmanship proposes the remuneration of the Executive Management Board (EMB) for the coming financial year to the BoD, who collectively approves the remuneration.

Total remuneration level

The total remuneration is benchmarked against the levels for Danish and international companies similar in size and with comparable business activities. The maximum salary constitutes the total remuneration if all the predefined short-term and long-term incentive targets are fully met. All incentive targets are linked to SimCorp's long-term financial targets and strategic priorities to ensure the EMB's awareness of and incentive towards ensuring long-term value creation.

Other benefits

Other benefits such as company car, phone, etc. are up to 10% of base salary.

Short-term cash-based incentive program (STIP)

The Executive Management Board participates in the STIP with an annual cash bonus scheme where the value is up to 90% of the base salary. The short-term strategic incentive targets are also linked to the long-term value creation of the company as these targets are linked to SimCorp's strategic priorities and in the view of the Board of Directors are in the long-terms interests of the shareholders.

For 2019, as in 2018, the cash bonus will be split as follows:

1. 50% is related to the fulfilment of the company's Balanced Scorecard (Corporate bonus).
2. 15% is related to other specific targets subject to change on a yearly basis.
3. 25% is related to over-performance against two key financial metrics; business growth and EBIT. The over-performance is only applicable, if the target values for the measures are exceeded, i.e. achievement is above 100% of targets.

STIP: 2018 ACHIEVEMENTS

1. Balanced Scorecard (up to 50%)
The 2018 Balanced Scorecard consists of five financial and 18 non-financial KPIs. Point multipliers are used to signify the weighting of the individual KPIs. Four financial KPIs are assigned a point multiplier of three and one (EBIT) a point multiplier of six. When a given KPI is fully met, the KPI yields three points. When a KPI meets the lower threshold, the KPI yields one point. A total of 108 points are available in the Scorecard. The threshold for a full 50% cash bonus payout is 86 points (80% of 108 points). With 91 points achieved in 2018, the scorecard will yield the maximum total of 50% of the cash bonus.

2. Specific targets (up to 15%)
For 2018, three specific targets related to the following strategic priority areas were defined as delivery of:
- Major features in SimCorp's Alternative Investments solution (90% achieved)
- Specific SimCorp Standard Platform offerings (100% achieved)
- Key milestones in the strategic priority 'Enable cloud' (75% achieved)

Based on the achievement rates above, the specific targets will yield a total of 13.25% of the maximum 15%.

3. Over-performance (up to 25%)
Based on the achievements in 2018, there will be 4.9% over-performance on growth and 8.5% over-performance on EBIT, in total 13.4% against a maximum of 25%.

In total, the 2018 short-term incentive programs yielded 76.6% against a maximum of 90%.

Long-term incentive program (LTIP)
The EMB's incentive to focus on long-term value creation is to a large extent based on participation in the long-term incentive program (LTIP), where members of the EMB are granted RSUs with an aggregate value at the time of grant of 100% of the base salary. The RSUs vest after three years pending achievement of two metrics: The EMB member must be employed with SimCorp at the vesting date and the SimCorp Group must at the vesting date have met defined performance targets for business growth and net operating profit after tax (NOPAT) margin. If such targets are only met partially, the number of shares acquired will be reduced or may lapse completely.

The Board of Directors consider that both the three years horizon on financial performance and the retention element of the LTIP contributes to the company's long-term value creation.

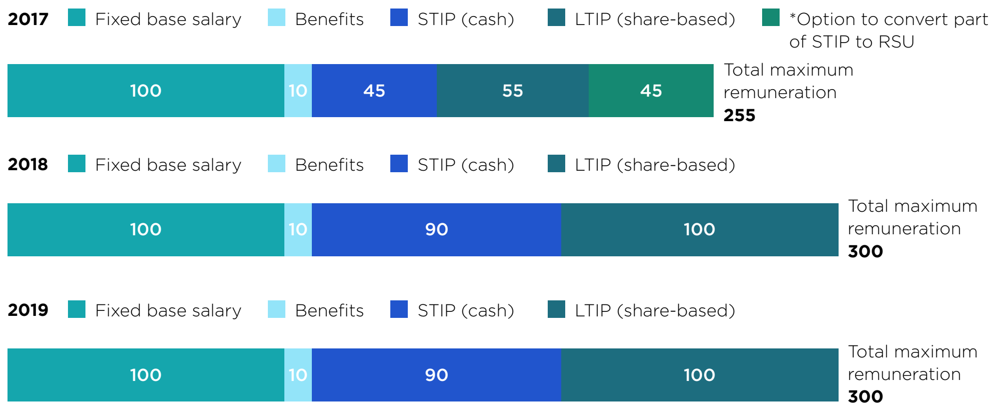
Notice period and severance payments
SimCorp may terminate employment by giving EMB members (hereafter executives) 12 months' notice. Executives may terminate their employment by giving SimCorp six months' notice. In the event that one party assumes ownership of more than 50% of the votes in SimCorp, or if SimCorp is dissolved by merger, the notice of termination to be given by SimCorp vis-à-vis the executives shall be extended to 24 months for two executives and 36 months for one executive (the latter according to contract from 2009) to expire at the end of a month, as of the date of the abovementioned change of ownership. The prolonged notice period is gradually reduced by one month per whole calendar month after the date of the abovementioned change of ownership during the period until the notice period is equivalent to the notice period in case of ordinary termination.

In addition to the notice period, executives are entitled to severance payments as described in the overview of the executives' remuneration package components on page 35.

EXECUTIVE MANAGEMENT BOARD – STIP 2018 ACHIEVEMENTS – BALANCED SCORECARD

Target area	Summary of measures by type	Target achievement	Weight in scorecard	Points achieved
Financial	- Revenue - Order inflow - EBIT - Free cash flow	Four out of five targets met and one partially met	50%	48
Services & Support	- Performance - Quality	Most targets have been met		
Product	- Quality - New releases	All targets have been met		
Employee	- Attrition	All targets have been met	50%	43
Client	- Pipeline development - Blockbuster sales - Net promoter score (NPS)	Most targets have been met		
Total			**100%**	91

TOTAL MAXIMUM REMUNERATION FOR THE EXECUTIVE MANAGEMENT BOARD



EXECUTIVE MANAGEMENT BOARD – RESTRICTED STOCKS UNITS (RSUs)

Awarded	**2018**	**2017**	**2016**
Number of RSUs (LTIP)	31,315	15,231	19,726
Number of RSUs (STIP)*	16,087	3,068	5,151
Canceled			
Number of RSUs	-	-	20,566

*RSUs (STIP) awarded in 2018 are related to conversion of 2017 STIP to RSUs. Conversions are no longer possible for EMB.

EXECUTIVE MANAGEMENT BOARD (EMB) AND GROUP MANAGEMENT COMMITTEE (GMC) – TOTAL REMUNERATION

EUR '000	**Salary**			**Other benefits**			**Share-based payments[2]**			**Performance-related bonus**			**Total**		
Remuneration	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Klaus Holse	937	935	681	74	51	62	693	491	462	718	305	205	2,422	1,782	1,411
Georg Hetrodt	395	396	378	43	34	34	316	237	213	303	128	114	1,057	795	739
Michael Rosenvold[1]	348	87	-	28	-	-	287	49	-	267	8	-	930	164	-
Thomas Johansen[2]	-	-	335	-	-	31	-	-	-149	-	-	101	-	-	318
Total EMB	**1,680**	**1,418**	**1,394**	**145**	**85**	**127**	**1,296**	**777**	**527**	**1,288**	**461**	**420**	**4,409**	**2,741**	**2,468**
Other members of GMC[3]	1,750	1,847	1,731	154	116	158	753	704	660	504	467	296	3,161	3,133	2,845
Total GMC	**3,430**	**3,265**	**3,125**	**299**	**201**	**285**	**2,049**	**1,481**	**1,187**	**1,792**	**928**	**716**	**7,570**	**5,874**	**5,313**

[1] Appointed October 1, 2017.
[2] 1/1-13/12-2016.
[3] Including Interim CFO Jan. 1 - Dec. 31, 2017, one additional member appointed Oct. 16, 2017, and one additional member appointed Aug. 1, 2018.
[4] The accounting policy for share-based payment is described in note 7.1 and accounting policy for other remuneration can be found in note 2.5.

HISTORIC PAYOUT RATIOS IN THE LONG-TERM INCENTIVE PROGRAM

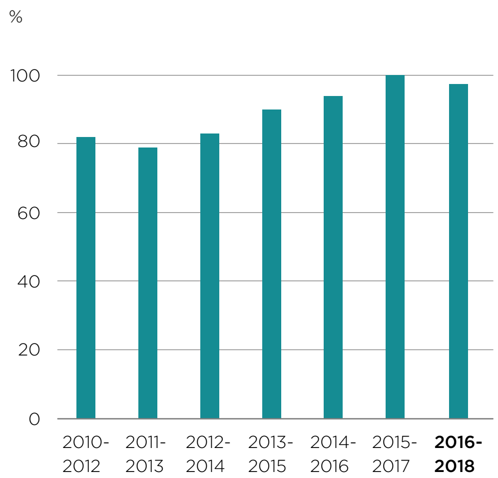
The bar chart to the right shows the actual RSU payouts since the initiation in 2010, i.e. how much LTIP has been converted into RSUs.

EXECUTIVE MANAGEMENT BOARD (EMB) – LTIP ACHIEVEMENTS FOR RESTRICTED STOCK UNITS (RSUs)[1]

	NOPAT[2]	**CAGR[3]**
Target	>_ 19.0%	>_ 10.0%
Achievement	20.5%	9.6%
RSU reduction	No reduction in RSUs allocated	2.5% reduction in RSUs allocated
Total payout:	Transfer of 97.5% of RSUs granted in April 2016 to the EMB members (2017: 100%).	

[1] Vesting in February 2019.
[2] NOPAT (net operating profit after tax) margin for the financial period Jan. 1, 2016 - Dec. 31, 2018.
[3] CAGR (based on business growth) for the financial period Jan. 1, 2016 - Dec. 31, 2018.

ACTUAL RSU PAYOUT



SHAREHOLDER INFORMATION

In 2018, SimCorp's share price increased by 26%. Liquidity in the SimCorp share measured by average daily trading turnover was up by 116% to EUR 8.7m, and the average daily number of trades increased by 21% to 2,009.

THE SIMCORP SHARE

The share price at December 31, 2018 was DKK 445.60 per share, equal to a market capitalization of EUR 2.4bn (DKK 17.6bn). The share price increased by 26% in 2018. By comparison, the Nasdaq Copenhagen blue chip index (OMXC25), which includes the SimCorp share, declined by 13%.

Relative to 2017, the average daily turnover of SimCorp shares on Nasdaq Copenhagen rose by 116% to EUR 8.7m, and the average number of trades per day increased by 21% to 2,009.

SHARE CAPITAL

SimCorp's nominal share capital is DKK 40,500,000 divided into 40,500,000 shares of DKK 1. SimCorp holds 917,718 treasury shares of DKK 1 equivalent to 2.3% of the share capital.

SHAREHOLDER STRUCTURE

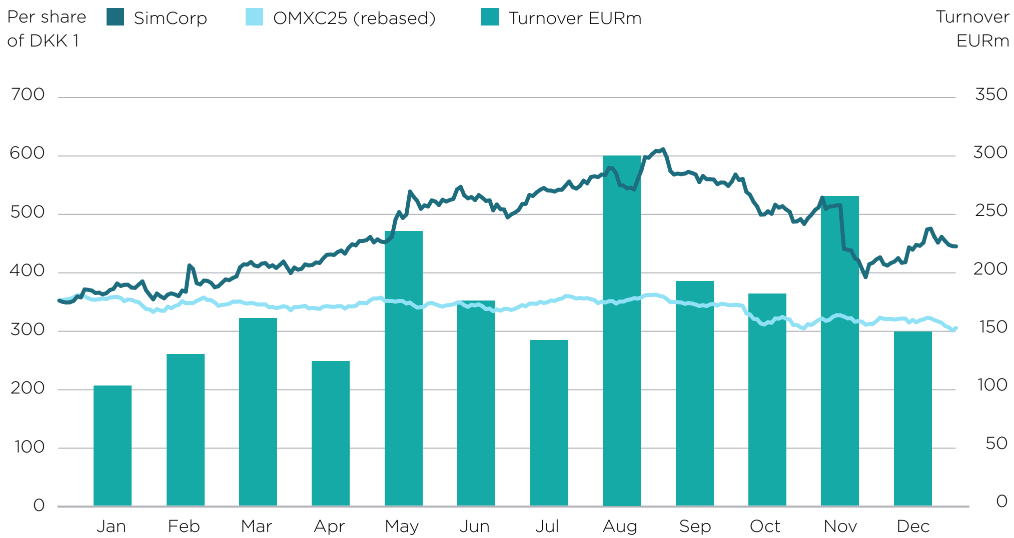
At December 31, 2018, SimCorp had more than 9,200 registered shareholders representing around 93% of the company's share capital, an increase of approximately 900 registered shareholders during the year. Approximately 48% of the share capital was held or managed by the 25 largest shareholders, and around 78% of the registered share capital was held by shareholders based outside Denmark.

On December 31, 2018, around 6% of the company's share capital was held by the company's management. Furthermore, SimCorp estimates that Danish and foreign institutional investors held some 73% of the company's shares, in line with the level at year-end 2017.

Around 31% of SimCorp shares were managed by investors who are also clients of SimCorp. In accordance with section 55 of the Danish Companies Act, the following investors have reported holding more than 5% of SimCorp's share capital:

- Ameriprise Financial Inc. group, USA, with a part held by the subsidiary Columbia Wanger Asset Management LLC, 6.0%
- The Capital Group Companies, Inc., 5.2%

SHARE PRICE DEVELOPMENT AND TRADING ACTIVITY, 2018



SHARE-BASED INCENTIVE SCHEMES

In accordance with the remuneration policy, approved by the shareholders at the Annual General Meeting 2018, the Board of Directors approved the share-based LTIP for management and key employees based on restricted stock units. The fair value of the restricted stock units amounted to EUR 4.0m at the time of allotment, and a total of 72,778 restricted stock units of DKK 1 were granted in 2018, including 31,315 restricted stock units to the Executive Management Board. The restricted stock units will vest after three years, subject to continuing employment and are subject to conditions with respect to average annual minimum revenue growth and annual average net operating profit after tax for the financial years 2018-2020. If the two latter conditions are only partially met, the number of shares transferred after three years will be reduced, potentially to zero.

Furthermore, in connection with various appointments of senior employees in France, Italy, and Denmark during 2018, 11,982 RSUs with fair value EUR 0.7m were granted in 2018. These will vest after three years subject to continuing employment.

SHARE DATA

Stock exchange	Nasdaq Copenhagen A/S
Index	OMXC25
Sector	Technology
ISIN code	DK0060495240
Short code	SIM
Share capital	DKK 40,500,000
Nominal size	DKK 1
Number of shares	40,500,000
Negotiable papers	Yes
Restriction in voting rights	No

FINANCIAL CALENDER 2019

March 27, 2019	Annual General Meeting 2019
April 1, 2019	Expected date for pay-out of dividend
May 22, 2019	Publication of interim financial report Q1 2019 (early morning)
Aug 23, 2019	Publication of interim financial report H1 2010 (early morning)
Nov 15, 2019	Publication of interim financial report 9M 2019 (early morning)

In addition, 109,152 restricted stock units relating to the corporate bonus program for 2017 were granted in 2018 and distributed among employees in the Group, including 16,087 restricted stock units to the Executive Management Board and 675 restricted stock units to employee-elected members of the Board of Directors. The restricted stock units will vest one third after one year, a further one third after two years, and the last third after three years, subject to vesting conditions.

The share-based incentive program based on restricted stock units will continue in 2019 and comprises restricted stock units with a market value of approximately EUR 4.7m on the date of grant. SimCorp's share-based incentive schemes are further detailed in note 7.1 to the financial statements. In accordance with SimCorp's remuneration policy, members of the Board of Directors will in 2019 continue to receive SimCorp shares with a total value equal to one third of their total remuneration.

It is the assessment of the Board of Directors that these remuneration principles ensure an appropriate alignment of the interests of the Board of Directors with SimCorp's shareholders in general.

MANAGEMENT SHARES/RESTRICTED STOCK UNITS

As at December 31, 2018, the members of the company's Board of Directors held a total of 130,815 SimCorp shares and 1,369 restricted stock units were held by employee-elected members of the Board. The members of the Group's Executive Management Board held a total of 200,332 SimCorp shares and 92,324 restricted stock units.

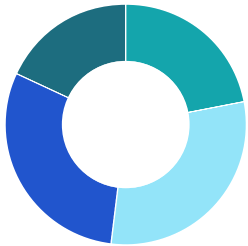
Additional information on the holdings of SimCorp shares and restricted stock units by members of the Board of Directors, the Executive Management Board, and other related parties is disclosed in note 7.4 to the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting of SimCorp A/S will be held on:
Wednesday, **March 27, 2019 at 3 pm** at SimCorp's headquarters, Weidekampsgade 16, Copenhagen, Denmark.

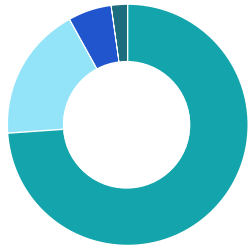
Six of the seven members elected by the shareholders, who are currently serving on the Board of Directors, will stand for re-election at SimCorp's Annual General Meeting. Brief biographies of the current members of the Board of Directors are found on pages 43-45. Chairman of the Board, Jesper Brandgaard, has decided not to stand for re-election at the Annual General Meeting after serving the Board for 12 years, 11 of these as Chairman. The Board of Directors will propose Vice-chairman, Peter Schütze for election as new Chairman and Morten Hübbe as new Vice-chairman.

SHAREHOLDER STRUCTURE BY GEOGRAPHY



	2018	2017
Denmark	22%	38%
North America	30%	25%
UK	30%	22%
Europe	18%	14%
Rest of the world	0%	1%

SHAREHOLDER STRUCTURE BY CATEGORY



	2018	2017
Institutional investors	74%	73%
Private investors	18%	18%
Employees and management	6%	6%
Treasury shares	2%	3%

The Board of Directors will propose to the Annual General Meeting to bring the remuneration of the Board, the Audit Committee, and the Nomination and Remuneration Committee in line with that of similar OMXC25 companies. The Board proposes that the base fee remains the same but suggests changing the multipliers applied to the Chairman and Vice-chairman positions within the Board and the member positions within the Audit Committee and the Nomination and Remuneration Committee. All Board members receive the same base remuneration, which comprises a cash element of DKK 250,000 and a share element of DKK 125,000. For the Board's Chairman and Vice-chairman positions, the Board will propose a multiplier of 3 and 2, respectively. Furthermore, the Board will propose a multiplier of 0.75 for the Audit Committee Chairman position and 0.375 for the Audit Committee member positions, and a multiplier of 0.375 for the Nomination and Renumeration Committee Chairman position and 0.1875 for the Nomination and Renumeration Committee member positions.

BOARD OF DIRECTORS & COMMITTEES - TOTAL REMUNERATION (CASH AND SHARE-BASED)

Fee	Board		Audit Committee		Nomination and Renumeration Committee	
	Multiplier	DKK	Multiplier	DKK	Multiplier	DKK
Chairman	3	1,125,000	0.75	281,250	0.375	140,625
Vice-chairman	2	750,000	N/A	N/A	N/A	N/A
Member	1	375,000	0.375	140,625	0.1875	70,313

Further, in order to ensure that SimCorp going forward is able to recruit members with the right qualifications for Board positions, the Board will propose to the Annual General Meeting that the Board fee shall be in line with the compensation for Boards of Directors of Danish and international companies similar in size and with comparable business activities.

The adjusted remuneration guidelines take effect if and when approved by the shareholders at the Annual General Meeting in March 2019. For more information, refer to 'Guidelines for the Remuneration of Board of Directors, Executive Management, and Employees' on the company's website: www.simcorp.com/corporate-governance

The Board of Directors further intends to propose that the shareholders authorize the company to acquire treasury shares of up to 10% of the company's share capital. See section 198 of the Danish Companies Act.

The agenda for the Annual General Meeting including proposed resolutions will be published on Friday, March 1, 2019, on which date the notice convening the meeting will be sent by email to all registered shareholders.

DIVIDENDS AND SHARE BUYBACK

Maintaining a sound liquidity buffer is vital to SimCorp's continued international expansion. Management considers this objective will be achieved when the cash holdings and credit lines exceed 10% of the projected costs for the coming year. On this basis, the company intends to pay dividends of at least 40% of the profit on ordinary activities after tax. Additional cash will, unless other cash requirements are foreseen, be used to buy treasury shares. The purchase of treasury shares is expected to be carried out in compliance with the provisions of Regulation No. 596/2014 of the European Parliament and of the Council on market abuse (the Market Abuse Regulation - MAR) and delegated legislation under MAR.

The Board of Directors has considered SimCorp's cash position and liquidity forecast, and on the basis thereof, the Board of Directors intends to recommend to the shareholders at the Annual General Meeting that dividends of EUR 35.9m, equal to DKK 6.75 per share of DKK 1, be distributed for the financial year 2018. The dividends of EUR 35.9m are equivalent to 47% of profit for the year and 45% of free cash flow in 2018.

In order to be eligible for dividends, shares must be registered before March 27, 2019. The ex-dividend date is March 28, 2019. Dividends for the financial year 2018 are expected to be paid on April 1, 2019.

Based on the current cash position and business outlook, SimCorp expects to initiate a share buyback program in 2019 for a fore-casted EUR 25m. The program will be carried out in two half yearly buyback programs of EUR 12.5m each during the period from the release of the Annual Report 2018 to the end of 2019. The program will be carried out in compliance with the provisions of Regulation No. 596/2014 of the European Parliament and of the Council on market abuse (the Market Abuse Regulation - MAR) and delegated legislation under MAR.

INVESTOR RELATIONS

SimCorp pursues an open dialogue with investors and analysts about the company's business and financial performance. In order to ensure that all SimCorp's stakeholders have equal access to corporate information, news is released to Nasdaq Copenhagen, the media, and on SimCorp's website, where users can also subscribe to SimCorp's news service. SimCorp's Investor Relations team handles all contact with investors and the press on issues relating to the company's shares.

Please contact: Anders Hjort, Head of Investor Relations, phone: +45 35 44 88 00, investor@simcorp.com, www.simcorp.com/en/investor/contact-investor-relations

Announcements to Nasdaq Copenhagen in 2018 can be found at www.simcorp.com/en/news-and-announcements

SIMCORP PURSUES AN **OPEN DIALOGUE** WITH **INVESTORS AND ANALYSTS** ABOUT THE COMPANY'S BUSINESS AND FINANCIAL PERFORMANCE. IN ORDER TO ENSURE THAT **ALL SIMCORP'S STAKEHOLDERS** HAVE EQUAL ACCESS TO CORPORATE INFORMATION, **NEWS IS RELEASED TO NASDAQ COPENHAGEN, THE MEDIA, AND ON SIMCORP'S WEBSITE**, WHERE USERS CAN ALSO SUBSCRIBE TO SIMCORP'S NEWS SERVICE.

BOARD OF **DIRECTORS**

JESPER BRANDGAARD

Business address: Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1963, Danish citizen, MSc (Econ. and Audit.) and MBA from Copenhagen Business School.

DIRECTORSHIPS
Chairman of SimCorp A/S' Board of Directors since 2008 and Vice-chairman from 2007 to 2008. Chairman of SimCorp A/S' Nomination Committee since 2017. Vice-Chairman of the Board of Directors of Chr. Hansen A/S.

INDEPENDENCE
Executive Vice President and Head of Biopharm and Legal, Novo Nordisk A/S. Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
Group executive experience in a multinational corporation, including responsibility for strategy development and implementation, information technology and finance. Furthermore, experienced in the development and governance of companies with IT and consultancy activities.

PETER SCHÜTZE

Business address: SimCorp A/S, Weidekampsgade 16, 2300 Copenhagen S, Denmark.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1948, Danish citizen, MSc (Econ.).

DIRECTORSHIPS
Vice-chairman of SimCorp A/S' Board of Directors since 2012. Member of SimCorp A/S' Nomination Committee since 2017. Chairman of the Board of Directors of DSB SOV, Falck A/S, Nordea-fonden and Nordea Bank-fonden. Member of the Board of Directors of Lundbeckfonden and Lundbeckfond Invest A/S. Member of the Industrial Board of Axcel, Axcel Future, The Systemic Risk Council, Bestyrelsesforeningen and Gösta Enboms Fond. Chairman of the investment committee of Danish SDG Investment Fund and Dronning Margrethe den II's Arkæologiske Fond.

INDEPENDENCE
Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
More than 30 years of management experience from an international financial company as well as several board positions both as chairman and member. Involvement in IT development and trading operations in financial institutions.

SIMON JEFFREYS

Business address: Aon UK Ltd., The Aon Centre, 122 Leadenhall Street, London EC3V 4AN, United Kingdom.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1952, British citizen, B.Com (Hons) from University of Cape Town, CA(SA), FCA, CPA.

DIRECTORSHIPS
Member of SimCorp A/S' Board of Directors since 2011. Chairman of SimCorp A/S' Audit Committee since 2013. Director and Chairman of the Audit Committees of the Boards of Directors of St James's Place plc and Templeton Emerging Markets Investment Trust plc. Chairman of Aon UK Ltd. and Henderson International Income Trust plc.Chair of the Audit and Risk Committee of the Crown Prosecution Service.

INDEPENDENCE
Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
Group executive experience in a multinational corporation, including responsibility for strategy development and implementation, information technology and finance. Furthermore, involved in the development and governance of companies with IT and consultancy activities.

BOARD OF **DIRECTORS**

HERVÉ COUTURIER

Business address: Kerney Partners, 54, rue Franklin, 78100 Saint Germain en Laye, France.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1958, French citizen, MSc (Industrial Engineering) from École Centrale de Paris.

DIRECTORSHIPS
Member of SimCorp A/S' Board of Directors since 2008 and member of SimCorp A/S' Nomination and Remuneration Committee since 2017.
Board member of Sabre, Infovista, Sportradar and Odigo (Capgemini).

INDEPENDENCE
Independent Business Angel. Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
International experience in software development for the financial sector as well as general management skills.

ADAM WARBY

Business address: Avanade Inc., 30 Cannon Street, London, EC4M 6XH, United Kingdom.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1960, British citizen, B.S. in Mechanical Engineering from Imperial College, London.

DIRECTORSHIPS
Member of SimCorp A/S' Board of Directors since 2017. Chairman of the Board of Junior Achievement Europe. Board member of Heidrick & Struggles.

INDEPENDENCE
CEO of Avanade Inc. Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
30+ years of international experience in Enterprise Sales, Consulting and Global Services from a career spanning IBM, Microsoft and Avanade.

JOAN A. BINSTOCK

Business address: 450 Seventh Avenue, Suite 909, New York, NY 10123, USA.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1954, US citizen, MBA from NYU Stern School of Business, B.A. from State University of New York at Binghamton. Certified Public Accountant.

DIRECTORSHIPS
Member of SimCorp A/S' Board of Directors and SimCorp A/S' Audit Committee since 2018.
Member of the Board of Directors of Foreside Financial Group and Center Square Asset Management.

INDEPENDENCE
Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
Experience from the financial services industry within finance, risk management and operations, including software selection and implementation.

MORTEN HÜBBE

Business address: Klausdalsbrovej 601, 2750 Ballerup, Denmark.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1972, Danish citizen, BSc (Int. BA & Modern Languages), MSc (Fin. & Acc.).

DIRECTORSHIPS
Member of SimCorp A/S' Board of Directors since 2018.
Board member of TJM Forsikring and KBC.

INDEPENDENCE
Group CEO of Tryg A/S. Is regarded as independent.

RELEVANT COMPETENCES AND EXPERIENCES
Chief executive management experience from a listed company and solid know-how of working with key market players like investors and regulators.

BOARD OF **DIRECTORS**

ELSE BRAATHEN

Business address: SimCorp A/S, Weidekampsgade 16, 2300 Copenhagen S, Denmark.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1967, Danish citizen, MSc. (Math and Economics) from Aarhus University.

DIRECTORSHIPS
Employee-elected member of SimCorp A/S' Board of Directors since 2016. Member of SimCorp A/S' Audit Committee since 2016.

RELEVANT COMPETENCES AND EXPERIENCES
15 years in risk management in leading financial institutions. 11 years in SimCorp's Product Management shaping the risk solutions of SimCorp Dimension.

ULRIK ELSTRUP HANSEN

Business address: SimCorp A/S, Weidekampsgade 16, 2300 Copenhagen S, Denmark.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1974, Danish citizen, MSc. (Economics) from University of Copenhagen.

DIRECTORSHIPS
Employee-elected member of SimCorp A/S' Board of Directors since 2016.

RELEVANT COMPETENCES AND EXPERIENCES
Expertise within asset and wealth management as well as operational services and vendor management.

VERA BERGFORTH

Business address: SimCorp GmbH, Justus-von-Liebig-Straße 1, 61352 Bad Homburg, Germany.

PERSONAL AND EDUCATIONAL BACKGROUND
Born 1966, German citizen, Graduate Business Economist from Bankakademie Frankfurt.

DIRECTORSHIPS
Employee-elected member of SimCorp A/S' Board of Directors since 2016. Member of SimCorp A/S' Nomination Committee since 2017.

RELEVANT COMPETENCES AND EXPERIENCES
Almost 30 years' experience from the financial industry within private asset management, custodian, investment management, and fund administration. Expertise within settlement, back office operations, fund administration, and business analysis.

GROUP MANAGEMENT **COMMITTEE**

KLAUS HOLSE

Born 1961.
Chief Executive Officer.
Present position held since 2012.
Member of SimCorp A/S' Executive Management Board.
Chairman of the Board of Directors of EG A/S and Delegate A/S.
Member of the Board of Directors of Better Collective.
Member of the Supervisory Board of Industriens Arbejdsgivere i København & Dansk Industri.
Member of the Board The Scandinavian Golf Club.

GEORG HETRODT

Born 1966.
Chief Product Officer.
Present position held since 2009.
Member of SimCorp A/S' Executive Management Board
Chairman of the Board of Directors of Dyalog Ltd.

MICHAEL ROSENVOLD

Born 1967.
Chief Financial Officer.
Present position held since 2017.
Member of SimCorp A/S' Executive Management Board.
Member of the Board of Directors of DHI A/S, Tytex A/S and Tabellae A/S.
Chairman of the Audit Committee of DHI A/S.

GROUP MANAGEMENT **COMMITTEE**

JOCHEN MÜLLER

Born 1966.
Executive Vice President, SimCorp EMEA and APAC.
Present position held since 2012.

JAMES CORRIGAN

Born 1976.
Managing Director, SimCorp North America.
Present position held since 2014.

ELISE HAUGE

Born 1967.
Chief Human Resources Officer, Group Human Resources.
Present position held since 2014.

HENRIK SCHLÆGEL

Born 1958.
Executive Vice President, SimCorp Global Services.
Present position held since 2013.

GROUP MANAGEMENT **COMMITTEE**

JENS OLIVARIUS

Born 1969.
Chief Marketing Officer, Group Marketing & Communications.
Present position held since 2014.

MARC SCHRÖTER

Born 1969.
Senior Vice President, Global Product Management.
Present position held since 2014.

JOHAN ROSENGREEN KRINGEL

Born 1976.
Senior Vice President, Strategy and Corporate Development.
Present position held since 2018.

STATEMENTS AND **SIGNATURES**

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT BOARD

The Board of Directors and the Executive Management Board have today considered and approved the annual report for 2018 of SimCorp A/S.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements according to the Danish Financial Statements Acts. In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as of December 31, 2018 and of the results of the parent company's and the Group's operations and cash flows for the financial year January 1 to December 31, 2018.

In our opinion the Management report gives a true and fair view of developments in the activities and financial position of the Group and the parent company, the results for the year and the financial position of the Group and the parent company, as well as a description of the significant risk and uncertainty factors that may affect the Group and the parent company. We recommend that the annual report be adopted by the shareholders at the annual general meeting.

Copenhagen, February 20, 2019

EXECUTIVE MANAGEMENT BOARD

Klaus Holse
Chief Executive Officer

Georg Hetrodt
Chief Product Officer

Michael Rosenvold
Chief Financial Officer

EXECUTIVE MANAGEMENT BOARD

Jesper Brandgaard
Chairman

Peter Schütze
Vice-chairman

Hervé Couturier

Simon Jeffreys

Vera Bergforth

Ulrik Elstrup Hansen

Adam Warby

Else Braathen

Joan Binstock

Morten Hübbe

To the shareholders of SimCorp A/S

INDEPENDENT AUDITOR'S REPORT

Our opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2018 and of the results of the Group's and parent company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial statements Act.

Our opinion is consistent with our additional report to the Audit Committee and the Board of Directors.

What we have audited
SimCorp's consolidated financial statements and the parent company financial statements for the financial year January 1 to December 31, 2018, comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including summary of significant accounting policies for the Group as well as for the Parent Company Collectively referred to as the "financial statements".

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group and the Parent Company are in accordance with the applicable law and regulations in Denmark and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

Appointment
We were appointed as auditors of the group for the first time on March 31, 2014. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

Key audit matters
the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition The Group and the parent company provide its products and services to clients in bundled packages as multi-element contracts, and recognition of revenue is subject to the inherent complexities in the software industry. Revenue is recognized when control is passed and if the revenue criteria for recognizing revenue over time or at a point of time have been met. We focused on this area due to the judgmental and complex nature of revenue recognition for multiple element arrangements that include identification of performance obligations in the contracts and allocation of the relative standalone selling prices to the identified performance obligations. Further, we focused on deferral of revenue, presentation in the balance sheet of contracts assets and revenue recognition for fixed fee and time and material projects due to the inherent estimation uncertainty. Refer to note 2.1 "Revenue", 2.2 "Segment and other revenue information" and 2.3 "Future performance obligations" and note 5.2 "Contract balances" in the Consolidated Financial Statements and note 2.1 "Revenue", 2.2 "Future performance obligations" and note 5.2 "Contract balances" in the parent company financial statements.	We assessed the design and implementation of the controls over the Group's revenue cycle. We tested relevant controls including applicable information systems and Management's review controls. For multi-element contracts, we obtained and evaluated Management's allocation of revenue to the specific performance obligations identified in the contracts and assessed the allocation of the standalone selling prices to the performance obligations including rebates, discounts, allowances and inherent interests. For revenue recognized we obtained and evaluated Managements assessment that customers has the ability to direct use and obtain substantially all benefits for the licenses transferred. For revenue recognized point in time we obtained and evaluated Management's documentation for right to payment and that the licenses has been transferred and made available to the customer. For revenue recognized over time we obtained Managements assessment that customers over time consumes and benefit from the services delivered. We assessed the percentage of completion on specific fixed fee and time and material projects based on Management reports, project estimates and interview of project managers. We also assessed the outcome of prior period estimates.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for taxation The Group operates in a complex multinational tax environment and there are open tax and transfer pricing cases with domestic and foreign tax authorities. We focused on this area as the amounts involved are potentially material and the valuation of tax assets and liabilities are associated with uncertainty and judgement. Refer to note 3.1 "Income tax", 3.2 "Deferred tax" and 3.3 "Income tax payable" in the consolidated financial statements as well as in the parent company financial statements.	In understanding and evaluating Management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgmental positions taken in tax returns and current year estimates and developments in the tax environment. In addition, we used our own local and international tax specialists, evaluated the adequacy of Management's key assumptions and read correspondence with tax authorities to assess the valuation of tax assets and liabilities.

Reporting on Management's Review
Management is responsible for Management's Review.

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial statements Act.

Based on the work we have performed, in our view, the Management Review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in the Management Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, February 20, 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mikkel Sthyr
State Authorised Public Accountant
mne26693

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

CONSOLIDATED **FINANCIAL STATEMENTS**

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

EUR '000	Note	2018	2017
Revenue	2.1, 2.2, 2.3	382,626	343,405
Cost of sales	2.4, 2.5, 4.1, 7.1	148,786	132,528
Gross profit		233,840	210,877
Other operating income		1,219	211
Research and development costs	2.4, 2.5, 4.1, 7.1	69,879	64,797
Sales and marketing costs	2.4, 2.5, 4.1, 7.1	40,971	37,198
Administrative expenses	2.4, 2.5, 4.1, 7.1, 7.5	20,864	20,199
Operating profit (EBIT)		103,345	88,894
Share of profit after tax in associates	4.2	88	51
Financial income	6.4	4,694	3,425
Financial expenses	6.4	5,591	4,680
Profit before tax		102,536	87,690
Tax on the profit for the year	3.1	25,565	21,193
Profit for the year		76,971	66,497

EARNINGS PER SHARE

	Note	2018	2017
Earnings per share - EPS (EUR)	2.6	1.95	1.69
Diluted earnings per share - EPS-D (EUR)	2.6	1.93	1.67

STATEMENT OF COMPREHENSIVE INCOME

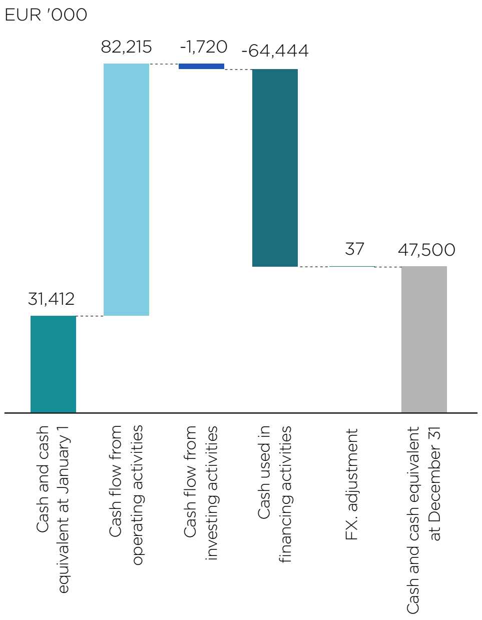
EUR '000	Note	2018	2017
Profit for the year		76,971	66,497
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement:			
Remeasurements of defined benefit plans	7.2	181	-113
Tax, remeasurements of defined benefit plans		-39	33
Items that may be reclassified subsequently to the income statement, when specific conditions are met:			
Foreign currency translation differences for foreign operations		-239	-2,663
Other comprehensive income after tax		-97	-2,743
Total comprehensive income		76,874	63,754

CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT

EUR '000	Note	2018	2017
Profit for the year		76,971	66,497
Adjustments for non-cash operating items	7.9	41,675	33,905
Changes in contract assets		-35,738	-21,922
Changes in working capital		21,917	-7,931
Cash from operating activities before financial items		104,825	70,549
Financial income received		136	180
Financial expenses paid		-465	-299
Income tax paid	3.1	-22,281	-14,898
Net cash from operating activities		82,215	55,532
Deferred payment, purchase of subsidiaries		-	-2,931
Purchase of subsidiaries, net of cash acquired	4.3	-	-19,851
Proceeds from sale of share of associates		285	-
Purchase of intangible fixed assets	4.1	-112	-1,362
Purchase of property, plant, and equipment	4.1	-1,950	-3,162
Proceeds from sale of property, plant, and equipment		-	309
Purchase of financial assets	7.6	-45	-123
Proceeds from sale of financial assets	7.6	59	104
Dividends from associates	6.4	43	86
Net cash used in investing activities		-1,720	-26,930
Net cash from operating and investing activities		80,495	28,602
Dividends paid		-34,444	-33,235
Purchase of treasury shares	6.1	-	-25,059
Proceeds, loans	6.3	-	30,000
Repayment, loans	6.3	-30,000	-
Net cash used in financing activities		-64,444	-28,294
Change in cash and cash equivalents		16,051	308
Cash and cash equivalents at January 1		31,412	31,590
Foreign exchange adjustment of cash and cash equivalents		37	-486
Cash and cash equivalents at December 31		47,500	31,412

CASH FLOW 2018



CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET DECEMBER 31

EUR '000	Note	2018	2017
ASSETS			
Goodwill	4.1	27,937	28,009
Software	4.1	5,139	7,777
Client contracts	4.1	7,368	8,470
Total intangible assets		40,444	44,256
Leasehold improvements	4.1	3,106	3,295
Technical equipment	4.1	1,475	1,277
Other equipment, fixtures, fittings and prepayments	4.1	796	956
Total property, plant, and equipment		5,377	5,528
Investments in associates	4.2	723	854
Deposits	7.6	1,983	1,995
Deferred tax	3.2	2,328	3,123
Total other non-current assets		5,034	5,972
Total non-current assets		50,855	55,756
Receivables	5.1	79,165	86,080
Contract assets	5.2	85,684	49,946
Income tax receivables	3.3	978	1,387
Prepayments		6,085	6,035
Cash and cash equivalents		47,500	31,412
Total current assets		219,412	174,860
Total assets		270,267	230,616

EUR '000	Note	2018	2017
LIABILITIES AND EQUITY			
Share capital		5,441	5,467
Share premium		9,963	9,963
Exchange adjustment reserve		-3,409	-3,170
Retained earnings		121,130	69,751
Proposed dividends		35,934	34,570
Total equity		169,059	116,581
Deferred tax	3.2	11,728	8,514
Provisions	4.4, 7.2	8,258	8,025
Total non-current liabilities		19,986	16,539
Bank loan	6.3	-	30,000
Prepayments from clients	5.2	17,704	11,969
Trade payables and other payables	5.3	59,675	50,358
Income tax payables	3.3	3,117	4,976
Provisions	4.4	726	193
Total current liabilities		81,222	97,496
Total liabilities		101,208	114,035
Total liabilities and equity		270,267	230,616

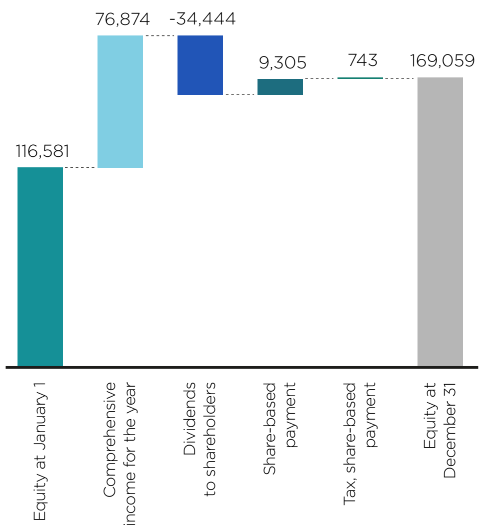
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Exchange adjustment reserve	Retained earnings	Proposed dividends for the year	Total
2018						
Equity at January 1	5,467	9,963	-3,170	69,751	34,570	116,581
Net profit for the year	-	-	-	76,971	-	76,971
Total other comprehensive income	-	-	-239	142	-	-97
Total comprehensive income for the year	-	-	-239	77,113	-	76,874
Transactions with owners						
Cancellation of treasury shares	-26	-	-	26	-	-
Dividends paid to shareholders	-	-	-	126	-34,570	-34,444
Share-based payment	-	-	-	9,305	-	9,305
Tax, share-based payment	-	-	-	743	-	743
Proposed dividends to shareholders	-	-	-	-35,934	35,934	-
Equity at December 31	5,441	9,963	-3,409	121,130	35,934	169,059
2017						
Equity at January 1 as previously reported	5,575	-	-518	34,173	33,341	72,571
Adjustment related to IFRS 15	-	-	-	27,641	-	27,641
Tax, adjustment related to IFRS 15	-	-	-	-6,949	-	-6,949
Adjusted balance at January 1	5,575	-	-518	54,865	33,341	93,263
Net profit for the year	-	-	0	66,497	-	66,497
Total other comprehensive income	-	-	-2,663	-80	-	-2,743
Total comprehensive income for the year	-	-	-2,663	66,417	-	63,754
Transactions with owners						
Issue of shares	26	9,963	11	-	-	10,000
Cancellation of treasury shares	-134	-	-	134	-	-
Dividends paid to shareholders	-	-	-	106	-33,341	-33,235
Share-based payment	-	-	-	7,551	-	7,551
Tax, share-based payment	-	-	-	307	-	307
Purchase of treasury shares	-	-	-	-25,059	-	-25,059
Proposed dividends to shareholders	-	-	-	-34,570	34,570	-
Equity at December 31	5,467	9,963	-3,170	69,751	34,570	116,581

MOVEMENTS IN EQUITY 2018

EUR '000



NOTES

SECTION 1 BASIS OF PREPARATION

This section provides an overview of the accounting policies and key accounting estimates. The Group's accounting policies that relate to the financial statements as a whole are set out in Section 1. Accounting policies which relate to a specific note or section, have been included at the beginning of each note or section following definitions relevant to each note. All entities in the Group apply the same accounting policies.

Notes to the financial statements are grouped into seven sections with the aim of reducing complexity and improving the reader's experience. The notes are organized into the following sections:

Section 1	Basis of preparation
Section 2	Revenue and earnings
Section 3	Tax
Section 4	Invested capital
Section 5	Net working capital and contract balances
Section 6	Capital structure and financing items
Section 7	Other disclosures

1.1 ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

Accounting policies

General

The annual report for the period January 1 - December 31, 2018, includes the consolidated financial statements of SimCorp A/S (the Parent) and its subsidiary undertakings (the Group), as well as separate financial statements for SimCorp A/S. Reference is made to page 117 for the Parent's specific accounting policies.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and further requirements in the Danish Financial Statements Act.

On February 20, 2019 the Board of Directors and the Executive Management Board considered and approved the annual report for 2018 of SimCorp A/S and the Group. The annual report will be presented to the shareholders for approval at the Annual General Meeting to be held on March 27, 2019.

Reporting currency

The financial statements are presented in EUR, which is the reporting currency of the activities of the Group rounded to the nearest EUR 1,000. The EUR is the reporting currency as most of the Group's transactions are in this currency.

Basis of measurement

The annual report has been prepared on a going concern basis and in accordance with the historical cost convention, except where IFRS explicitly requires use of other values.

New financial reporting standards

The annual report for 2018 is presented in conformity with the new and revised IFRS/IAS standards and new IFRIC interpretations endorsed by the EU, which apply to financial years beginning on January 1, 2018.

The accounting policies have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures are not restated.

In 2017, the Group early adopted IFRS 15, opting for the modified retrospective application method with the cumulative effect on equity of initially applying IFRS 15 recognized at the date of initial application of January 1, 2017.

The Group has adopted all requirements of IFRS 9 Financial Instruments as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking expected credit loss (ECL) impairment model, rather than incurred losses.

For financial assets that do not have a significant financing component, e.g. trade receivables, a simplified approach is permitted. For trade receivables, the loss is measured on initial recognition and throughout the lifetime of the receivable at an amount equal to lifetime expected credit loss.

In addition, although contract assets are excluded from the scope of IFRS 9, they are within the scope of its impairment requirements. The loss is measured on initial recognition and throughout the lifetime of the asset at an amount equal to lifetime expected credit loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Group's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that were recognized at the date of application. The change did not materially impact the carrying value of any financial assets on transition date.

Under IFRS 9, financial assets are classified according to their cash flow characteristics and the business model in which they are managed. The Group has categorized its financial assets to financial assets measured at

NOTES

1.1 ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS (CONTINUED)

amortized cost, at fair value through the statement of income and at fair value through other comprehensive income (see Note 6.3 Financial assets and liabilities). The new classification requirements have no impact on the classification, measurement and carrying amount of the group's financial assets.

In addition, in connection with the amendment that IFRS 9 made to IAS 1.82 the Group has elected to disclose interest income from contract assets within revenue. Previous periods have not been restated as the reclassification is considered immaterial.

New financial reporting standards not yet adopted

IFRS 16 Leases becomes effective January 1, 2019. All leases must be recognized in the balance sheet with a corresponding lease liability, except for short-term assets and minor assets. The Group plans to apply the standard using the modified retrospective approach with optional practical expedients initially on January 1, 2019.

The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The impact on the financial position as at January 1, 2019 is expected to be as follows:

ADOPTION OF IFRS 16

EURm	January 1, 2019
Prepayments	-0.6
Right of use assets	
Land and buildings	46.5
Other right of use assets	2.5
Total assets increase	48.4
Liabilities increase	
Current liabilities	7.6
Non-current liabilities	40.0
Total liabilities increase	47.6
Retained earnings	0.8
Total equity increase	0.8

The estimated impact of the adoption may be subject to change until the group presents its first financial statements under the new standard (Q1 2019).

The impact on the income statement in 2019 is estimated to be a reduction in rental costs of EUR 9.3m and an increase in amortization of EUR 9.4m. Hence, no material impact on EBIT in 2019. Impact on interest expenses is expected to be around EUR 0.6m. ROIC is expected to be impacted negatively by approximately 27 percentage-points. Equity ratio is expected to be negatively impacted by 8 percentage-points. Cash flow from operating activities will increase as the substantial portion of lease payments will be classified as financing cash flows.

In addition, a number of other new standards and interpretations not applicable/mandatory for the preparation of the 2018 annual report have been published. The Group expects to implement the new applicable and approved, not yet effective accounting standards and interpretations, as they take effect.

None of the other changed standards or interpretations are expected to have significant monetary effect on the statements of the Group's results, assets and liabilities or the equity.

Basis of consolidation

The consolidated financial statements comprise the Parent and subsidiaries. Subsidiaries are entities controlled by the Parent. Control is established when SimCorp A/S is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements have been prepared by including the financial statements of the Parent and the subsidiaries, which have all been prepared in accordance with the Group's accounting policies.

On consolidation, intra-group income and expenses, shareholdings, balances, dividends and realized and unrealized gains and losses on intra-group transactions are eliminated.

Unrealized gains and losses on transactions with associates are eliminated in proportion to the Group's shares in the associates.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are denominated in foreign currencies.

Foreign currency transactions are translated into the functional currency at the exchange rates effective at the transaction dates.

The average rate of exchange for the month is used to approximate the transaction dates' exchange rates. Exchange differences arising from the settlement of such transactions, as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency, are recognized in the income statement under financial income or financial expenses.

Foreign exchange adjustments of intra-group accounts are recognized in other comprehensive income in the consolidated financial statements.

On consolidation, the income statements of foreign subsidiaries and associates are translated at the exchange rates effective at the transaction dates. Effects of exchange rate adjustments arising from the translation of the income statements to the exchange rates effective at the balance sheet date are taken directly to other comprehensive income. Foreign subsidiaries' and associates' balance

NOTES

1.1 ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS (CONTINUED)

sheets are translated at the exchange rates effective at the balance sheet date.

Effects of exchange rate adjustments arising from the translation of foreign subsidiaries' opening equity from the exchange rates effective at the prior balance sheet date are taken directly to other comprehensive income.

Exchange adjustment reserve
The exchange adjustment reserve in the consolidated financial statements comprises foreign exchange differences arising on the translation of the financial statements of enterprises from their functional currencies to the Group's presentation currency (EUR).

On full or partial realization of a net investment, foreign exchange adjustments are recognized in the income statement.

Other operating income
Other operating income consists of income of a secondary nature relative to the activities of the Group, including gains on sale of intangible assets and property, plant and equipment and government grants.

Government grants relate to research and development funding in the United Kingdom.

As the grant is receivable as compensation for costs already incurred, with no future related costs, it is recognized as other operating income in the period in which it is receivable.

Statement of comprehensive income
Other comprehensive income consists of income and costs not included in the income statement, including exchange rate adjustments arising from the translation of foreign subsidiaries' financial statements into reporting currency, and actuarial gains or losses on defined benefit pension plans.

Cash flow statement
The cash flow statement is presented according to the indirect method commencing with the profit for the year.

The cash flow statement shows how changes in balance sheet items and income affect cash and cash equivalents.

Cash and cash equivalents consist of cash at bank and in hand. Cash flows in other currencies are translated into EUR at the average exchange rate for the respective year.

Cash from operating activities is assessed by converting income statement items from accrual to cash basis accounting. Starting with net profit, non-cash items are reversed, and actual payments included. In addition, the change in working capital is taken into consideration as it represents cash withheld in the balance sheet.

Cash from investing activities are related to the sale and purchase of long-term investments, including fixed, intangibles and financial assets.

Dividends
Dividends are recognized as a liability when approved by the shareholders at the annual general meeting. Dividends recommended to be paid for the year are stated as a separate line item under equity until approved at the annual general meeting.

Materiality
The financial statements separately present items considered individually material.

Individually immaterial items are aggregated with other items of similar nature in the statements or in the notes. Specific disclosures required by IFRS are presented, unless the information is considered immaterial to the economic decision making of the users of these financial statements.

Accounting estimates and judgments
While applying the Group's accounting policies, in addition to estimations, management makes other judgments that may impact the application of accounting policies and reported amounts of assets, liabilities, costs, cash flows, and related disclosures at the date of the financial statements.

The estimates and judgments applied are based on assumptions which management believes to be reasonable, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise.

In addition, the company is subject to risks and uncertainties encountered in the ordinary course of business that may cause actual results to deviate from the estimates.

The notes to the financial statements contain information about the assumptions and the uncertainty of estimates at the balance sheet date involving the risk of changes that could lead to adjustments to the carrying amounts of assets or liabilities within the upcoming financial year.

Management considers the following to be key accounting estimates and assumptions used in the preparation of the financial statements:

Revenue (Note 2.1)
Tax and deferred tax (Note 3.2)

Risk factors specific to the Group are described in the management report from pages 28-30 and in Note 6.2.

NOTES

1.1 ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS (CONTINUED)

Non-IFRS measures
Certain measures disclosed regarding the Group's financial performance, financial position and cash flows are not defined in IFRS. These are defined under other non-IFRS measures and may not be defined and calculated by other companies in the same manner and may therefore not be comparable.

Financial ratio definitions	
EBIT margin (%)	Operating profit (EBIT) / Revenue x 100
EBITDA	Earnings before interest, tax, depreciation, and amortization
Invested capital	Total assets – cash and cash equivalents – provisions – prepayments from clients - trade payables and other payables
ROIC (return on invested capital)	EBITDA / Average invested capital x 100
Receivables turnover ratio	Revenue / Receivables at year-end
Equity ratio (%)	Equity at year-end / Total assets at year-end x 100
Return on equity (ROE) (%)	Profit for the year / Average equity x 100

Share performance definitions	
Earnings per share (EPS)	Profit for the year / Average No. of shares
Diluted earnings per share (EPS-D)	Profit for the year / Average No. of diluted shares
Cash flow per share (CFPS)	Cash flow from operating activities / Average No. of diluted shares
Book value per share (BVPS)	Equity at year-end / Average No. of shares
Dividends per share (DPS)	Dividends paid / No. of shares at year-end
Dividends payout ratio (%)	Dividends paid / Profit for the year x 100
Total payout ratio (%)	Dividends paid plus value of share buybacks / Profit for the year x 100
Average number of shares	Number of shares issued, excluding treasury shares, as an average for the year
Average number of diluted shares	Number of shares issued, excluding treasury shares, as an average for the year plus the average dilutive impact of outstanding restricted stock units

Market value ratio definitions	
Price / Book value per share (P/BV)	Price / Book value (BVPS)
Price / Diluted price earnings (P/E Diluted)	Price / Diluted earning per share
Price / Cash flow (P/CF)	Price / Cash flow per share (CFPS)

Other non-IFRS measures definitions	
License base	Representing accumulated order value for SimCorp Dimension clients
Order intake	Representing license revenue of new licenses and add-on licenses during the period
Order book	Accumulated value of software licenses which are yet to be recognized as income
Revenue signed	Representing total revenue commitment for license and software updates and support, professional services, etc.
CAPEX	Purchase of intangible fixed assets + Purchase of property, plant, and equipment - Proceeds from sale of property, plant, and equipment
Net cash position	Cash and cash equivalents less bank loans
Revenue, operating cost and EBIT growth in local currency	Effect of exchange rate is excluded by restating the measure for the current period at the previous year's average rates when calculating growth.
Free cash flow	Net cash from operating activities – CAPEX (From 2019 amended to also deduct principal payment on lease liabilities)
Cash conversion (%)	Free cash flow / profit for the year x 100

NOTES

SECTION 2 REVENUE AND EARNINGS

This section provides information related to the composition of revenue, operating costs, and earnings per share. The notes present details of the Group's profit and earnings per share for the year. Details include disclosures on revenue, segment information, operating costs, and employee costs.

Accounting policies which relate to a particular note to the income statement have been included within each individual note. In this section, the following notes are presented:

2.1 REVENUE

Accounting policy

Revenue is mainly derived from fees charged for SimCorp Dimension, SimCorp Coric, and SimCorp Sofia software licenses, software updates and support fees, professional services, and application service provider (ASP) fees. For software contracts which are comprised of several components, the total contract sum is allocated to the separate performance obligations for the purpose of revenue recognition.

Revenue recognition requires an agreement with the client which creates enforceable rights and obligations between the parties, has commercial substance, and identifies payment terms. In addition, it must be probable that the consideration determined in the contract will be collected.

Revenue is recognized when the client has obtained control of the license or service and has the ability to use and obtain substantially all the benefits from the license or service.

For multi-element contracts, the basis for revenue recognition is an assessment of the standalone selling prices for the identified performance obligations, including rebates, discounts, allowances, and inherent interest.

License fees
Fixed term license agreements and subscription agreements give the right to use the software for a determined period of time, which can be extended at the end of the initial term.

Standard perpetual software licenses provide clients with the right to use the software whilst the software updates and support contract remains in force. Clients obtain control of the license for installation on their premises or in a cloud-based infrastructure.

New license fees comprise income derived from new clients. Additional license income is originating from supplementary sales to existing clients.

The main possible performance obligation related to license agreements has been identified as the right to use the software. The right to use software license is considered a separate performance obligation when it satisfies the following conditions: can be delivered separately from other services, can be installed by a third party, can be used without upgrades, and is functional without upgrades or technical support.

SimCorp has assessed that the client obtains control of the license when all of the following criteria are met: a binding contract is entered into; the license is delivered; and the client has the right to use it. License revenue is therefore generally recognized at that point-in-time. When the contract contains functionality gaps or requires client acceptance of functionality, the revenue recognition will be deferred until the time of acceptance or delivery. The consideration attributable to license fee in subscription-based agreements are discounted to net present value when the value of the financing element is deemed significant.

Software updates and support fees
Fees related to contracts made on perpetual and subscription-based license terms. Software updates and support fees include both initial license and additional license-based software updates and support fees. Performance obligations include: unspecified future upgrades, maintenance, and helpline support. Revenue from software updates and support agreements is recognized on a straight-line basis over the contract period.

Professional services fees
Professional services agreements can include multiple performance obligations. The main possible performance obligations are described below.

Implementation services relate to the implementation of new and existing contracts irrespective of the terms of the contract. Time and material implementation contracts are recognized based on work performed. Fixed fee agreements are recognized based on percentage of completion.

Client-driven development entails direct cooperation between SimCorp's development team and the client towards a client-defined goal. Such agreements are individually evaluated to determine if revenue is recognized at a point in time or over time.

NOTES

2.1 REVENUE (CONTINUED)

Validation and testing services help clients streamline, document, prepare, and execute the entire testing process surrounding the operation of SimCorp Dimension. Revenue is recognized upon client acceptance.

ASP on-boarding services comprise setup of infrastructure, these services are sold for a fixed fee and revenue is recognized based on percentage of completion.

ASP operating services occur when, in addition to hosting, SimCorp undertakes the operation of the client's system in a cloud-based environment. Revenue is recognized on a straight-line basis over the contract period.

ASP hosting fees
The ASP offering gives the client the right to use the SimCorp Dimension software in a cloud-based infrastructure provided by SimCorp (hosting). Revenue from ASP hosting fees is recognized on a straight-line basis over the contract period.

Other revenue
Other revenue consists of, for instance, training and education and is recognized when the services have been delivered.

Transaction price allocation
The total transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct good or service.

An apportionment has been determined for the allocation of the transaction price between license and software updates and support after deducting other performance obligations from the total consideration.

For SimCorp Dimension subscription agreements, it has been determined that 50% of the subscription value relates to license and 50% to software updates and support.

For SimCorp Coric subscription agreements, it has been determined that 75% of the subscription value relates to license and 25% to software updates and support.

For SimCorp Sofia subscription agreements it has been determined that 50% of the subscription value relates to license and 50% to software updates and support.

Professional services stand-alone value is determined based on the hourly billing rate for the relevant market unit.

Hosting services are assumed to be quoted to the client at their stand-alone value if it is equal or above hosting costs.

Third party products
Other income includes income generated from the sale of third-party products where SimCorp is the principal and therefore records revenue on a gross basis.

Contract modifications
A modification is considered a separate contract if additional distinct licenses or services are promised and the price of the contracts increases by an amount of consideration that reflects the stand-alone price of the additional goods. If this is not the case, licenses or services that have not been transferred must be identified (those remaining from the original contract as well as any new goods and services arising from the modification). If the selling price of the additional services or licenses is not the stand-alone selling price at the time of the modification, the original contract is, for accounting purposes, considered terminated at the modification point, even if it constitutes an amendment to the original agreement.

Contract extensions
Extensions of term licenses are not considered additional licenses until the original term expires.

Accounting estimates and judgments

Revenue recognition requires management to make judgments which are based on assumptions on historical and forecast information, as well as on regional and industry economic conditions in which we or our clients operate.

A short description of main judgments made in relation to revenue recognition follows.

Assessing whether it is probable that the consideration from contracts with clients will be collected requires judgment and might impact the timing and amount of revenue recognition.

Establishing whether distinct goods or services are separate performance obligations requires judgment and might impact the timing and amount of revenue recognition.

The allocation of the total transaction fee of a client contract to the distinct deliverables requires judgment in determining an apportionment which reflects the fair value measurement of each performance obligation.

This may impact the timing and amount of revenue recognized. Determining whether different contracts with the same client are accounted for as one agreement involves judgment as it requires us to assess whether the contracts are negotiated together or linked in any way. The timing and amount of revenue recognition can vary depending on whether contracts are accounted for separately or as single arrangement.

The percentage-of-completion method requires estimation of total revenue and the stage of completion.

The assumptions, estimates, and uncertainties inherent in determining the stage of completion affect the timing and amounts of revenue recognized.

Changes in estimates of progress towards completion and of contract revenue and costs are accounted for as cumulative catch-up adjustments to the reported revenue for the applicable contract.

NOTES

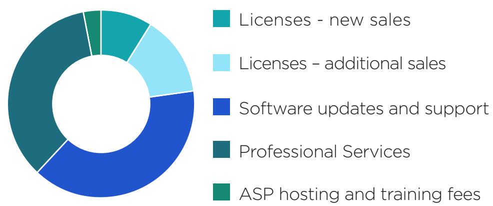
2.1 REVENUE (CONTINUED)

REVENUE

EUR '000	2018	Share of revenue 2018	2017	Share of revenue 2017	Revenue growth	Revenue growth local currencies	Organic revenue growth local currencies[2]
Licenses - new sales	34,371	9.0%	21,094	6.1%	62.9%	63.2%	63.2%
Licenses - additional sales	51,885	13.6%	53,064	15.5%	-2.2%	-1.4%	-9.6%
Software updates and support [1]	149,585	39.1%	138,558	40.4%	8.0%	10.0%	7.9%
Professional services	133,679	34.9%	122,725	35.7%	8.9%	11.2%	6.7%
ASP hosting and training fees	13,106	3.4%	7,964	2.3%	64.6%	66.4%	66.2%
Total revenue	382,626	100%	343,405	100.0%	11.4%	13.2%	9.5%

[1] Maintenance revenue has been renamed "Software updates and support" to better reflect the nature of the revenue.
[2] Organic growth excludes growth attributable to the acquisition of A.P.L. Italiana S.p.A.

REVENUE PER TYPE 2018



NOTES

2.2 SEGMENT AND OTHER REVENUE INFORMATION

The Group's operations are managed and organized into a product division, a sales organization, two product-based business units and corporate functions.

The product division (previously referred to as Dimension), renamed Research and Development, is responsible for Dimension and, as of August 1, 2018, also Coric software development.

The sales organization is based on a product and geographical structure. For SimCorp Dimension, countries are grouped into five business units which have been identified based on countries that share the same market conditions and cultures. A number of clients have a global setup and the related revenue is therefore included in multiple business units.

In 2018, the business unit UK and Middle East has been merged with Northern Europe to form a new unit called UK, Northern Europe and Middle East. Comparative disclosures have been restated to a consistent basis with regards to this change.

In addition, there are two product-based business units: SimCorp Coric and SimCorp Sofia. SimCorp Sofia develops and sells exclusively SimCorp Sofia. SimCorp Coric sells exclusively SimCorp Coric software.

Finally, the Group reports on corporate functions, which include shared services comprising administration, marketing, internal systems, and services division. These are allocated based on an allocation key for the segments. From April 1, 2018 more activities are covered by the services division, which is part of corporate functions and includes consulting and other customer services. Comparative disclosures have not been restated with regards to this change as the information is not available.

Accounting policy

The accounting policies of the reported segments are the same as the Group's described throughout the notes. Segment reporting shows revenue and operating profit together with total assets that can be directly related to the individual segments. Unallocated assets are headquarters' assets, cash, and investments in associates. Segment reporting is prepared in accordance with the Group's internal management reporting structure for performance management and resource allocation.

Segment income and costs consist of transactions between the segments. Such transactions are made on market terms.

NOTES

2.2 SEGMENT AND OTHER REVENUE INFORMATION (CONTINUED)

SEGMENT INFORMATION EUR '000	UK, Northern Europe and Middle East	Central Europe	Southern Europe	Asia and Australia	North America	Research and development [1]	SimCorp Coric	SimCorp Sofia [2]	**Segments total**	Corporate Functions [3]	Elimination/ Not allocated	**Group**
2018												
External revenue	129,589	80,512	44,453	20,253	81,148	1,106	6,899	18,109	382,069	557	-	382,626
Revenue between segments	22,022	6,895	949	390	4,271	164,164	1,606	995	201,292	6,155	-207,447	-
Total segment revenue	151,611	87,407	45,402	20,643	85,419	165,270	8,505	19,104	583,361	6,712	-207,447	382,626
EBITDA	13,765	6,296	3,021	1,151	5,581	85,633	776	6,944	123,167	-13,899	-	109,268
Depreciation and amortization	433	40	165	56	347	118	574	1,308	3,041	2,882	-	5,923
Segment operating profit (EBIT)	13,332	6,256	2,856	1,095	5,234	85,515	202	5,636	120,126	-16,781	-	103,345
Total assets	52,916	23,611	20,431	21,426	61,892	1,420	17,985	46,505	246,186	4,813	19,268	270,267
2017												
External revenue	120,638	75,041	37,796	30,585	60,710	1,250	10,903	5,785	342,708	697	-	343,405
Revenue between segments	27,993	9,379	761	2,081	5,476	143,055	1,193	345	190,283	3,060	-193,343	-
Total segment revenue	148,631	84,420	38,557	32,666	66,186	144,305	12,096	6,130	532,991	3,757	-193,343	343,405
EBITDA	11,141	5,246	-383	1,078	4,677	73,933	5,025	1,060	101,777	-8,926	-	92,851
Depreciation and amortization	450	45	176	52	277	118	572	551	2,241	1,716	-	3,957
Segment operating profit (EBIT)	10,691	5,201	-559	1,026	4,400	73,815	4,453	509	99,536	-10,642	-	88,894
Total assets	42,623	20,670	27,918	17,628	38,715	2,858	24,266	47,026	221,704	4,688	4,224	230,616

[1] Research and development (formerly named Dimension) includes all development costs for SimCorp Dimension, and from August 1, 2018, also SimCorp Coric development.
[2] SimCorp Sofia was acquired on August 1, 2017.
[3] Includes global services support division from April 1, 2018.

NOTES

2.2 SEGMENT AND OTHER REVENUE INFORMATION (CONTINUED)

Geographical segmentation is presented for revenue and non-current assets for the most significant countries for the Group.

GEOGRAPHICAL INFORMATION

	2018		2017	
	EUR '000	%	EUR '000	%
Revenue allocation by country (significant)				
USA	69,099	18.1%	49,681	14.5%
Germany	51,681	13.5%	47,741	13.9%
Italy [1]	28,455	7.4%	9,916	2.9%
France	27,959	7.3%	26,071	7.6%
Sweden	26,139	6.8%	22,523	6.6%
Netherlands	25,048	6.5%	22,928	6.7%
Canada	23,874	6.2%	26,543	7.7%
Denmark	20,295	5.3%	20,053	5.8%
Switzerland	19,004	5.0%	22,343	6.5%
Non-current assets allocation by country (significant)				
Italy	32,326	69.5%	33,617	66.4%
United Kingdom	9,023	19.4%	10,154	20.1%
Denmark	1,905	4.1%	3,327	6.6%

[1] SimCorp Italiana was acquired on August 1, 2017.

Significant countries are defined as countries representing 5.0% or more of the Group's revenue and 5.0% of the Group's non-current assets.

The geographical distribution of revenue is based on the country in which the client is invoiced.

The Group has no clients contributing revenue of more than 4.5% (2017: 3.4%) of total revenue.

NOTES

2.3 FUTURE PERFORMANCE OBLIGATIONS

Revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date is depicted below.

FUTURE PERFORMANCE OBLIGATIONS

EUR '000	2018	2017
Total aggregated amount allocated to contracts to be satisfied in the future	227,579	179,313

Management expects that EUR 69.7m (2017: EUR 64.1m) of the amount allocated to the future contract obligations as of December 31, 2018 will be recognized during 2019. EUR 133.4m (2017: EUR 103.3m) is expected to be recognized as revenue within 2 to 5 years. The remaining part is expected to be recognized as revenue after 5 years.

Unsatisfied performance obligations include: license agreements where there is a requirement for client acceptance of functionality, performance obligations satisfied over time (software updates and support agreements and ASP agreements), and fixed fee professional services from multi-year contracts that are recognized as the work has been performed under the percentage-of-completion method.

Considerations from contracts with clients are included in the amounts presented above except for rolling software updates and support agreements with cancellation periods of 12 months or less, and time and material services agreements.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Accounting estimates and judgments

Uncertainties exist with respect to the timing of the satisfaction of performance obligations when contracts include functionality gaps or a requirement for client acceptance of functionality. Judgment is used to determine when such performance obligations will be satisfied.

Under the percentage-of-completion method used for fixed fee services agreements, recognition of profit is dependent upon the accuracy of a variety of estimates. Such estimates are based on various judgments with respect to multiple factors and are difficult to accurately determine until the project is significantly underway. Due to uncertainties inherent in the estimation process, it is possible that the actual timing of completion may vary from estimates.

NOTES

2.4 OPERATING COSTS

Operating costs are allocated into cost of sales, research and development, sales and marketing costs, and administrative expenses.

Accounting policy

Cost of sales comprise costs incurred to achieve the year's revenue, including costs of delivering and implementing systems, ASP hosting and infrastructure costs, third party costs, training courses, and support. Cost of sales primarily comprise salaries, share-based payments, other employee related costs, costs for external implementation consultants, hosting fees and other third-party costs, depreciation and amortization, and indirect costs, such as rent and technological infrastructure.

Research and development costs comprise salaries, share-based payments, other employee related costs, depreciation and amortization, and other costs directly attributable to the Group's research and development activities.

Research and development costs are expensed in the year in which they are incurred when they do not qualify for capitalization.

For capitalization criteria see Note 4.1.

Sales and marketing costs primarily comprise salaries, commissions, bonuses, share-based payments, and other sales employee related costs, travel and meeting expenses, marketing expenses, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to the Group's sales and marketing activities.

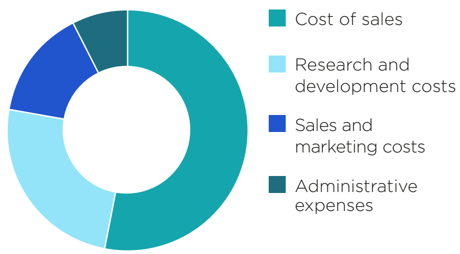
Administrative expenses comprise expected loss allowance, salaries, bonuses, share-based payments and other employee costs and expenses, office costs, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to the Group's administrative activities. In 2017, acquisition costs of EUR 0.4m incurred as a part of the acquisition of A.P.L. Italiana S.p.A. have been classified within administrative expense at the time of occurrence.

OPERATING COSTS

EUR'000	Costs 2018	Share of costs 2018	Share of revenue 2018	Costs 2017	Share of costs 2017	Share of revenue 2017	Growth	Growth local currencies	Organic growth local currencies
Cost of sales	148,786	53.1%	38.9%	132,528	52.0%	38.6%	12.3%	14.0%	11.4%
Research and development costs	69,879	24.9%	18.3%	64,797	25.4%	18.9%	7.8%	8.2%	3.6%
Sales and marketing costs	40,971	14.6%	10.7%	37,198	14.6%	10.8%	10.1%	12.1%	10.7%
Administrative expenses	20,864	7.4%	5.4%	20,199	8.0%	5.9%	3.3%	3.8%	0.3%
Total operating costs	280,500	100.0%	73.3%	254,722	100.0%	74.2%	10.1%	11.5%	8.5%

Organic growth excludes growth attributable to the acquisition of A.P.L. Italiana S.p.A.

COST STRUCTURE 2018



NOTES

2.5 EMPLOYEE COSTS

Employee costs consist of salaries, sales commissions, bonuses, pensions and social costs, share-based payments, vacation pay, and other benefits.

Accounting policy

Salaries, bonuses, pensions and social costs, share-based payments, vacation pay, and other benefits are recognized in the year in which the associated services are rendered by the employees.

Management expects commissions paid to employees as a result of signing new client contracts to be recoverable. In accordance with IFRS 15, such commissions are deferred and expensed when the related revenues are recognized.

Where SimCorp provides long-term incentives and benefits, costs are accrued to match the rendering of services by the employees. The accounting policy for share-based remuneration is described in Note 7.1.

Obligations related to contribution-based pension schemes are recognized in the income statement under employee costs in the period for which the related service is provided. The accounting treatment for defined benefit plans is described in Note 7.2.

EMPLOYEE COSTS

EUR '000	2018	2017
Salaries	158,576	143,045
Defined contribution pension plans	3,357	3,113
Defined benefit pension plans	462	436
Share-based payments	7,227	6,102
Social security and other costs	14,918	13,285
Total employee cost	184,540	165,981
Number of employees at the end of the period	1,660	1,547
Average number of employees - FTE	1,554	1,421

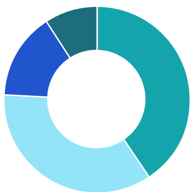
Remuneration to the Executive Management Board and Board of Directors is given below:

REMUNERATION TO EXECUTIVE MANAGEMENT BOARD AND BOARD OF DIRECTORS

EUR '000	2018	2017
Salaries	1,680	1,418
Other benefits	145	85
Share-based payment	1,296	777
Performance-related bonus	1,288	461
Executive Management Board total	4,409	2,741
Board fees	406	372
Fees for committee work	53	48
Travel allowance	79	65
Share-based payment	229	212
Board of Directors total	767	697
Total	5,176	3,438

For additional disclosures on the Executive Management Board and Board of Directors remuneration please refer to the Remuneration report, pages 35-38.

AVERAGE NUMBER OF EMPLOYEES BY FUNCTION 2018



	2018	2017
Professional services	40.8%	40.5%
Research and development	35.3%	36.1%
Internal support and service	14.8%	14.6%
Sales and sales support	9.1%	8.9%

NOTES

2.6 EARNINGS PER SHARE

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

EARNINGS PER SHARE

	2018	2017
Profit for the year (EUR´000)	76,971	66,497
Average number of shares	40,594,077	40,987,662
Average number of treasury shares	-1,121,811	-1,577,109
Average number of shares in circulation	39,472,266	39,410,553
Average dilutive impact of outstanding restricted stock units	447,480	443,965
Average number of diluted shares in circulation	39,919,746	39,854,518
Earnings per share - EPS (EUR)	1.95	1.69
Diluted earnings per share - EPS-D (EUR)	1.93	1.67

NOTES

SECTION 3 TAX

This section contains all relevant disclosures and details regarding corporate income tax recognized in the financial statements. The total tax on Group profit for the year has increased by EUR 4.4m to EUR 25.6m compared with EUR 21.2m in 2017. Income tax has increased due to higher profit compared with 2017. The Group's effective tax rate has increased from 24.2% to 24.9% mainly due to change of jurisdictions and composition of taxable profit.

In this section, the following notes are presented:

3.1 Income tax
3.2 Deferred tax
3.3 Income tax payables

3.1 INCOME TAX

Accounting policy

The income tax for the year is comprised of current and deferred tax, including adjustments to prior years. Tax is recognized in the income statement, except to the extent it relates to items recognized in other comprehensive income or directly in equity.

The tax deduction on share-based remuneration for the year is recognized as taxable income in the income statement to the extent that the tax deduction is attributable to the share-based payment expenses recognized in the income statement. The value of the excess tax reduction, if any, is recognized directly in equity.

INCOME TAX

EUR '000	2018	2017
Tax for the year:		
Tax on profit	25,565	21,193
Tax on other comprehensive income	39	-33
Total tax	25,604	21,160
Tax on profit for the year breaks down as follows:		
Current tax	20,913	16,897
Deferred tax	4,635	4,505
Prior-year adjustments	33	187
Change in tax rates	-16	-396
Total tax on profit for the year	25,565	21,193
Tax paid during the year	22,281	14,898
Tax on profit for the year breaks down as follows:		
Tax calculated on the year's pre-tax profit, 22% (2017: 22%)	22,558	19,291
Difference in tax in subsidiaries relative to 22% (2017: 22%)	923	687
Change in tax rates	-16	-396
Tax effect:		
Non-taxable income	-1,437	-1,490
Non-deductible expenses	1,514	1,339
Other, including prior-year adjustments	2,023	1,762
Total tax on profit for the year	25,565	21,193
Effective tax rate	24.9%	24.2%

NOTES

3.2 DEFERRED TAX

Accounting policy

Deferred tax is calculated using the liability method on all temporary differences between the accounting and taxable values of assets and liabilities. Deferred tax assets are assessed yearly and recognized only to the extent that it is more likely than not that they can be utilized.

Deferred tax assets, including the tax value of tax losses carried forward, are recognized as other non-current assets and measured at the amount at which they are expected to be realized. These are either offset against deferred tax liability or against tax on future earnings within the same legal entity or a jointly taxed entity.

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

For jurisdictions where IFRS 15 is not applicable for tax purposes, the revenue is deferred and the related income tax is recognized as deferred tax.

Accounting estimates and judgments

Deferred tax reflects assessment of future taxable income across all legal entities. Actual future taxes may deviate from these estimates.

In some jurisdictions the tax treatment related to the adoption of IFRS 15 is yet to be determined, management assesses the tax treatment for those legal entities yearly. Management assessed that, for those jurisdictions, the most likely outcome is a deferred income of subscription-based license fees for tax purposes, related income tax is thus recognized as deferred tax.

The uncertainty of the tax treatment of IFRS 15, to be classified as current or deferred tax, amounts to approximately EUR 13m.

The Group recognizes deferred tax assets relating to losses carried forward, if management assesses that these can be offset against taxable income in the foreseeable future.

DEFERRED TAX

EUR '000	2018	2017
Net deferred tax (liability)/asset at January 1	-5,391	7,385
Foreign exchange adjustment	-78	65
Deferred tax, profit and loss	-4,635	-4,505
Prior-year adjustment, profit and loss	579	-79
Change in tax rates	16	396
Adjustment of deferred tax, other comprehensive income	-39	33
Adjustment of deferred tax, equity	148	-5,277
Addition on acquisitions of subsidiaries	-	-3,409
Net deferred tax (liability)/asset at December 31	-9,400	-5,391
Recognized in the balance sheet as follows:		
Deferred tax assets	2,328	3,123
Deferred tax liabilities	-11,728	-8,514
Net deferred tax (liability)/asset at December 31	-9,400	-5,391

NOTES

3.2 DEFERRED TAX (CONTINUED)

DEFERRED TAX

EUR '000	Balance January 1	Foreign exchange adjustment	Recognized in: Profit and loss	Recognized in: Other comprehensive income	Recognized in: Equity	Addition on acquisition	Balance December 31
2018							
Intangible assets	-3,799	8	767	-	-	-	-3,024
Property, plant, and equipment	499	-13	-45	-	-	-	441
Current assets	117	-7	2	-	-	-	112
Contract assets	-7,685	-44	-5,389	-	-	-	-13,118
Provisions	963	1	514	-39	-	-	1,439
Current liabilities	219	-1	999	-	-	-	1,217
Share-based payment	1,648	-5	306	-	148	-	2,097
Tax losses carry-forward	2,647	-17	-1,194	-	-	-	1,436
Total	-5,391	-78	-4,040	-39	148	-	-9,400
2017							
Intangible assets	-1,368	35	41	-	-	-2,507	-3,799
Property, plant, and equipment	791	-129	-163	-	-	-	499
Current assets	-45	-4	166	-	-	-	117
Contract assets	-	213	-3,128	-	-4,770	-	-7,685
Provisions	1,325	62	457	33	-	-914	963
Current liabilities	260	9	-50	-	-	-	219
Share-based payment	1,878	-3	280	-	-507	-	1,648
Tax losses carry-forward	4,544	-118	-1,791	-	-	12	2,647
Total	7,385	65	-4,188	33	-5,277	-3,409	-5,391

Tax value of the capitalized tax losses are expected to be realized within the foreseeable future, as the affected subsidiaries expect a sufficient future taxable income. In 2019, EUR 1.3m (2017: in 2018, EUR 2.1m) of the deferred tax assets are expected to be utilized.

NOTES

3.3 INCOME TAX PAYABLES

Tax payable and tax receivable on taxable income for the year are recognized in the balance sheet as current tax liabilities and receivables, respectively, adjusted for tax on prior years, taxable income and payments in the year.

INCOME TAX PAYABLES

EUR ‘000	2018	2017
Net income tax (payable)/receivable at January 1	-3,589	20
Foreign exchange adjustment	99	142
Prior-year adjustments	-612	-108
Current tax on profit for the year	-20,913	-16,897
Current tax on equity	595	-1,366
Income tax paid	22,281	14,898
Addition on acquisitions of subsidiaries	-	-278
Net income tax (payable) / receivable at December 31	-2,139	-3,589
Recognized in the balance sheet as follows:		
Income tax receivable	978	1,387
Income tax payable	-3,117	-4,976
Net income tax (payable) / receivable at December 31	-2,139	-3,589

NOTES

SECTION 4 INVESTED CAPITAL

This section comprises notes which offer a thorough understanding of invested capital, excluding working capital and contract balances, which are covered in section 5.

Additions to intangible assets amounted to EUR 0.1m in 2018 (2017: EUR 35.2m), the increase in 2017 related to the acquisition of A.P.L. Italiana S.p.A. Additions to property, plant, and equipment amounted to EUR 2.0m in 2018 (2017: EUR 3.3m).

In this section, the following notes are presented:

4.1 Intangible assets and property, plant, and equipment
4.2 Investments in associates
4.3 Acquisition of enterprises
4.4 Provisions

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

Accounting policy

Goodwill

Initially, goodwill is recognized at cost. Subsequently, goodwill is measured at cost less accumulated impairment. Goodwill is not amortized.

The carrying amount of goodwill is tested for impairment at least annually. Impairment losses are recognized directly in profit for the year and are not subsequently reversed.

Other intangible assets

Intangible assets with limited economic lives are measured at cost less accumulated amortization and impairment losses. Intangible assets include proprietary and acquired software as well as client contracts. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, which are as follows:

- Software up to 10 years
- Client contracts up to 20 years

Proprietary software for resale

Costs of development projects for software for resale are recognized as intangible assets where they are clearly defined and identifiable, where there are sufficient resources to implement the projects, and where it is probable that identifiable future income or cost reductions will cover the development and future operating costs.

Capitalized development costs comprise salaries plus overheads. Overheads comprise staff costs, rent, IT, and communications. Development costs comprise costs attributable to the Group's development functions, including salaries, and other employee costs and amortization.

To the extent that the development costs are not capitalized, they are recognized as research and development costs in the income statement.

Acquired software

Software acquired is measured at cost less accumulated amortization and accumulated impairment losses.

Client contracts

Acquisition related client contracts are initially recognized at fair value at the acquisition date and subsequently carried at cost less accumulated amortization and any accumulated impairment losses. The value of client contracts is amortized on a straight-line basis, based on the estimated duration of the acquired contract or other relevant period if deemed appropriate.

The carrying values of other intangible assets are reviewed annually for impairment to assess if there is an indication of impairment beyond what is expressed through normal amortization.

If the carrying amount exceeds its recoverable amount, the carrying amount of the asset is written down to the recoverable amount.

All intangible assets apart from goodwill are considered to have limited useful economic lives.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and accumulated impairment. Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

- Leasehold improvements over the lease term up to 10 years
- Technical equipment up to 3 years
- Other equipment, fixtures, and fittings up to 5 years

The basis of depreciation is calculated with due consideration to scrap value and any prior impairment write down. The estimated useful life and scrap value of each asset is determined at the date of acquisition and reassessed annually. When the scrap value equals the carrying amount of the asset, the asset ceases to be depreciated. Any change in depreciation period or scrap value is recognized as a change in accounting estimate.

Impairment, depreciation, and amortization are recognized in cost of sales, research and development costs, sales and marketing costs, or administrative expenses.

NOTES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Accounting estimates and judgments

For the SimCorp Group, the measurement of intangible assets, including goodwill, could be affected by significant changes in judgment and assumptions underlying their calculation.

The estimated useful life reflects the period over which the Group expects to derive economic benefit from intangible assets.

Determination of the useful life of client contracts at up to 20 years and software at up to 10 years is based on estimates regarding the period over which such assets are expected to produce economic benefits to the Group.

AMORTIZATION AND DEPRECIATION

	2018			2017		
EUR '000	Intangible	Property, plant, and equipment	Total	Intangible	Property, plant, and equipment	Total
Cost of sales	2,816	801	3,617	1,035	757	1,792
Research and development costs	831	665	1,496	605	719	1,324
Sales and marketing costs	70	342	412	42	378	420
Administrative expenses	67	331	398	70	351	421
Total amortization and depreciation	3,784	2,139	5,923	1,752	2,205	3,957

NOTES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

EUR '000	Goodwill	Software	Client contracts	Intangible assets total	Leasehold improvement	Technical equipment	Other equipment, fixtures, fittings, and prepayments	Property, plant, and equipment total
2018								
Cost at January 1	28,009	16,799	9,453	54,261	8,570	8,424	5,226	22,220
Foreign exchange adjustment	-72	-90	-49	-211	42	11	4	57
Additions	-	112	-	112	692	1,138	120	1,950
Disposals	-	-	-	-	-505	-481	-15	-1,001
Cost at December 31	27,937	16,821	9,404	54,162	8,799	9,092	5,335	23,226
Amortization/depreciation at January 1	-	9,022	983	10,005	5,275	7,147	4,270	16,692
Foreign exchange adjustment	-	-60	-11	-71	-9	4	-4	-9
Amortization/depreciation	-	2,720	1,064	3,784	922	930	287	2,139
Disposals	-	-	-	-	-495	-464	-14	-973
Amortization and depreciation at December 31	-	11,682	2,036	13,718	5,693	7,617	4,539	17,849
Carrying amount at December 31	27,937	5,139	7,368	40,444	3,106	1,475	796	5,377
2017								
Cost at January 1	3,976	12,077	3,267	19,320	7,599	7,918	5,371	20,888
Foreign exchange adjustment	-142	-140	-114	-396	-175	-116	-127	-418
Additions	-	1,362	-	1,362	1,817	901	444	3,162
Addition on acquisition of subsidiaries	24,175	3,500	6,300	33,975	15	153	3	171
Disposals	-	-	-	-	-686	-432	-465	-1,583
Cost at December 31	28,009	16,799	9,453	54,261	8,570	8,424	5,226	22,220
Amortization/depreciation at January 1	-	7,862	463	8,325	5,153	6,739	4,217	16,109
Foreign exchange adjustment	-	-54	-18	-72	-157	-118	-73	-348
Amortization/depreciation	-	1,214	538	1,752	953	965	287	2,205
Disposals	-	-	-	-	-674	-439	-161	-1,274
Amortization and depreciation at December 31	-	9,022	983	10,005	5,275	7,147	4,270	16,692
Carrying amount at December 31	28,009	7,777	8,470	44,256	3,295	1,277	956	5,528
Amortization/depreciation period		Up to 10 years	Up to 20 years		Up to 10 years	3 years	5 years	

Additions to goodwill, software and client contracts in 2017 are mainly related to the acquisition of A.P.L. Italiana S.p.A. (renamed SimCorp Italiana S.p.A.).

NOTES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Impairment test

Goodwill is tested for impairment once a year, other intangible assets are tested when there is indication of impairment. No indication of impairment beyond what is expressed through normal amortization has been perceived in relation to software and client contracts.

As active markets for the majority of acquired assets and liabilities do not exist, management has made estimates of their fair values. Fair values were estimated as the present value of future cash flows calculated based on churn rates or other expected cash flows related to each asset. Estimates of fair value are associated with uncertainty and may be subsequently adjusted.

When performing the impairment test, an assessment is made as to the ability of individual cash generating units (CGUs) to generate sufficient positive net cash flow in the future to support the value of the unit.

Cash generating units are defined as the smallest group of identifiable assets which together generate incoming cash flow from continued operations. For SimCorp Coric and SimCorp Sofia this has been defined as the business unit. For SimCorp Asia Pty. Ltd. it has been defined as the legal entity.

An estimate was made of the future free cash flow based on budgets for 2019 and projections for the next 4 years. Significant parameters in this estimate are discount rate, revenue growth rate, and profit margin. The recoverable amount is based on the value in use calculated by discounting expected future cash flows.

At December 31, 2018, the carrying amount of goodwill was tested for impairment. The expected performance of SimCorp Sofia was assessed for SimCorp Italiana S.p.A in order to verify if sufficient to offset the carrying amount of the cash generating unit. The expected performance of SimCorp Dimension was assessed for SimCorp Asia Pty. Ltd. and SimCorp Coric for SimCorp Coric Ltd.

The impairment test as of December 31, 2018 showed no indication of impairment for 2018 (2017: Nil). Management's assessment is that currently no changes in key assumptions are reasonably likely to reduce the value in use below the carry value for any of the cash generating units. The discount rate used in determining the value in use is based on the weighted average cost of capital (WACC).

For SimCorp Sofia, the estimated growth rate is based on management's expectations. The WACC is determined based on a risk-free rate of 2.0% (2017: 1.5%) and a risk premium of 7.3% (2017: 8.5%) assuming a Beta of 0.8 (2017: 1).

For SimCorp Coric, the estimated growth rate in revenue during the forecast period is based on historical performance. The operating margin in the forecast period and the terminal period are estimated based on historical levels. No growth has been assumed in the terminal value.

For SimCorp Coric Ltd., WACC is determined based on a risk-free rate of 0.9% (2017: 1.2%) and a risk premium of 5.7% (2017: 5.6%) assuming a Beta of 0.8 (2017: 1.1). The risk-free rate is based on 5-year British government bonds. Estimated leveraged European industry Beta was used. For USD cash flows (SimCorp Coric Inc.), the following has been used: risk-free rate of 2.7% (2017: 2.4%) based on yields for 5-year US government bonds and risk premium of 5.1% (2017: 5.3%).

The carrying value of assets allocated to SimCorp Asia Pty. Ltd. is significantly lower than cash generated during one year of operations.

Accounting estimates and judgments

In performing the impairment test management assessed whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity. The assessment is based on estimates of expected future cash flows based on budgets, growth, and profit margin development.

CARRYING AMOUNTS AND ASSUMPTIONS

				Total Intangibles		Discount rate after tax		Annual average growth	
EUR '000	Goodwill	Software	Client Contracts	2018	2017	2018	2017	2018	2017
SimCorp Sofia	24,175	3,004	5,018	32,197	33,450	5%	9%	NA	NA
SimCorp Coric	3,601	1,704	2,350	7,655	8,282	5%	6%	2%	5%
SimCorp Asia Pty Ltd	161	-	-	161	170	NA	NA	NA	NA
Total carrying amount	27,937	4,708	7,368	40,013	41,902				

NOTES

4.2 INVESTMENTS IN ASSOCIATES

Accounting policy

Associates are entities over which SimCorp has significant influence, but which it does not control. It is generally presumed that SimCorp has significant influence when it has between 20% and 50% of voting rights or representation on the board of directors.

Investments in associates are recognized according to the equity method and measured at the proportionate share of the associates' net asset values calculated in accordance with the Group's accounting policies less or plus the proportionate share of any unrealized intra-group gains and losses and plus the carrying amount of goodwill.

A change in ownership interest resulting from the acquisition of a subsidiary with interest in the associate is recognized at equity value at acquisition.

The Group's proportionate shares of the profit or loss of associates after tax and elimination of the proportionate shares of intra-group gains or losses are recognized in the consolidated income statement.

Investments in associates are tested for impairment in accordance with IAS 36 Impairment of assets, as single assets if there are impairment indicators under IAS 28 (as amended by IFRS 9 Financial instruments). Impairment charges are capable of being reversed in full.

ASSOCIATES

							Share attributable to the SimCorp Group	
EUR '000	Country of incorporation	Ownership interest[1]	Revenue	Profit for the year	Assets	Liabilities	Equity	Profit for the year
2018								
Dyalog Ltd.	United Kingdom	24.8%	2,561	240	3,019	722	569	83
Opus Nebula Ltd.	United Kingdom	30.0%	545	18	143	37	154	5
2017								
Dyalog Ltd.	United Kingdom	39.8%	2,343	143	3,320	897	727	75
Opus Nebula Ltd.	United Kingdom	30.0%	248	-79	53	42	127	-24

[1] On December 20, 2018 SimCorp A/S and SimCorp Italiana have, together, reduced their holdings in Dyalog Ltd from 39.8% to 24.8%.
SimCorp's investment in Dyalog Ltd. is a strategic investment as the company is an important supplier. SimCorp purchases APL licenses from Dyalog Ltd. both for SimCorp Dimension and SimCorp Sofia. Please refer to Note 7.4.

NOTES

4.3 ACQUISITION OF ENTERPRISES

Accounting policy

Business combinations
Newly acquired or newly established enterprises are recognized in the consolidated financial statements from the effective dates of acquisition.

The takeover method is applied for acquisitions if the Parent company gains control of the entity. Identifiable assets, liabilities, and contingent liabilities in companies acquired are measured at their fair values at the dates of acquisition. Identifiable intangible assets are recognized, if they can be separated or arise from a contractual right. Deferred tax is recognized on fair value adjustments.

Any excess of the cost of acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recognized as goodwill under intangible assets.

Acquisition cost
Acquisition cost consists of the fair value of the purchase price of the enterprise acquired. The net aggregate value of identifiable assets and liabilities is measured in accordance with IFRS 3 Business Combinations.

Transaction costs related to acquisitions are charged to the income statement as administration expenses at the time of acquisition. In 2018, no cost related to acquisitions was charged to the income statement (2017: EUR 0.4m).

Provisional values are used for initial recognition where there is uncertainty regarding the identification and measurement of acquired assets, liabilities, and contingent liabilities at the date of acquisition. Such provisional values can be adjusted or additional assets or liabilities included until 12 months after the acquisition date if new information is available regarding circumstances that existed at the time of acquisition and which would have affected the fair value at the time of acquisition had the information been known. Thereafter, no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognized in the income statement.

SimCorp Italiana S.p.A.
On June 29, 2017, SimCorp entered into an agreement to acquire 100% of the shares in A.P.L. Italiana S.p.A. (renamed SimCorp Italiana S.p.A.) for an enterprise value of EUR 35.0m, of which EUR 10.0m was paid in SimCorp shares. The acquisition became effective as of August 1, 2017. The purchase price was adjusted upwards by EUR 3.2m upon closing reflecting a higher value of net assets acquired. SimCorp Italiana S.p.A. is a leading provider of investment and portfolio management software for the Italian insurance market.

CONSIDERATION TRANSFERRED

EUR '000	2017
Cash consideration	28,195
Equity instruments (190,767 ordinary shares)	10,000
Total consideration transferred	38,195

CASH FLOW FOR ACQUISITION

EUR '000	2017
Cash payment	28,195
Cash and cash equivalents in acquired business	-8,344
Cash outflow for acquisition	19,851

Under the terms of the share purchase agreement, the sellers of A.P.L. Italiana S.p.A. have accepted certain restrictions on the sale and transfer of the shares, including a lock-up period.

As no active market exits for the assets and liabilities acquired, especially in regard to intangible assets, management has estimated the fair value. The methods applied are based on present value of future cash flows calculated based on client contracts and other expected cash flows related to the assets.

Trade receivables has been recognized at the contractual amounts and no adjustments has been required. The goodwill is attributable to a well-positioned business for investment management software and services, a highly skilled workforce, and buyer synergies in relation to entry into the Italian market.

At the end of 2017, the allocation of the purchase price was finalized for the assets and liabilities acquired in the acquisition of SimCorp Italiana S.p.A.

NOTES

4.3 ACQUISITION OF ENTERPRISES (CONTINUED)

No business acquisitions have taken place in 2018. The final purchase price allocation for the business acquired in 2017 is as follows:

FAIR VALUE AT ACQUISITION

EUR '000	2017
Intangible assets - client contracts	6,300
Intangible assets - software	3,500
Associates	339
Property, plant, and equipment	171
Deposits	115
Receivables	4,327
Contract assets	3,386
Cash and cash equivalents	8,344
Deferred tax liability	-2,495
Income tax payable	-1,211
Prepayments from clients	-4,470
Trade and other payables	-1,964
Provisions	-2,322
Identifiable net assets	14,020

GOODWILL

EUR '000	2017
Consideration transferred	38,195
Fair value of identifiable net assets	-14,020
Goodwill	24,175

NOTES

4.4 PROVISIONS

Accounting policy

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of the Group's resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In valuing provisions, the costs estimated to settle the liability are discounted if such discounting would have a material effect on the measurement of the liability. A pre-tax discount rate is used that reflects the level of interest rates with the liability. Changes in the discount element during the year are recognized as financial expenses. The present value of defined-benefit obligations and the related current service cost and past service cost were measured using the projected unit credit method.

Re-establishment costs for rented premises

The Group has an obligation to re-establish and refurbish leased offices when the premises are vacated, and a provision is recognized corresponding to the present value of expected future costs. The present value of the re-establishment obligation is included in the cost of the tangible assets and depreciated accordingly. Cost for refurbishment is expensed yearly over the term.

Anniversary bonuses

This provision results from the Group's commitment of one month's pay in connection with employees' 25th and 40th anniversary.

Termination indemnity

In Italy, upon termination of employment for any reason, employers must pay a leaving indemnity ('Trattamento di fine Rapporto' or TFR). The termination pay is calculated as 6.9% of each year's annual salary, revalued on the basis of 75% of the inflation rate plus a fixed rate of 1.5% during the period of accrual, and is paid as a lump sum.

Pension

Refer to note 7.2 Pension and similar liabilities.

Accounting estimates and judgments

Uncertainties exist with respect to pension obligation's timing as well as timing and amount of re-establishment costs and termination indemnity. Judgment is used to determine when and whether such obligations will crystallize.

NOTES

4.4 PROVISIONS (CONTINUED)

PROVISIONS EUR '000	Re-establish-ment costs for rented premises	Anniversary bonuses	Pension	Termination indemnity	Other	Total
2018						
Liability at January 1	1,539	1,493	2,683	2,469	34	8,218
Foreign exchange adjustment	-13	-15	74	-	-	46
Used during the year	2	-21	-	-372	-	-391
Reversal of unused liabilities	-671	-56	-108	-	-	-835
Provisions for the year	648	334	33	540	391	1,946
Total provisions	1,505	1,735	2,682	2,637	425	8,984
Expected due date for provisions:						
Falling due within 1 year	-	127	-	344	255	726
Falling due within 2 to 5 years	893	765	-	500	111	2,269
Falling due after 5 years	612	843	2,682	1,793	59	5,989
Total provisions	1,505	1,735	2,682	2,637	425	8,984
2017						
Liability at January 1	1,504	1,431	2,724	-	34	5,693
Foreign exchange adjustment	-28	-17	-220	-	-	-265
Addition on acquisition of subsidiaries	-	-	-	2,322	-	2,322
Used during the year	2	-88	-	-	-	-86
Reversal of unused liabilities	-	-38	-158	-	-	-196
Provisions for the year	61	205	337	147	-	750
Total provisions	1,539	1,493	2,683	2,469	34	8,218
Expected due date for provisions:						
Falling due within 1 year	-	71	-	122	-	193
Falling due within 2 to 5 years	1,539	648	-	490	-	2,677
Falling due after 5 years	-	774	2,683	1,857	34	5,348
Total provisions	1,539	1,493	2,683	2,469	34	8,218

NOTES

SECTION 5 NET WORKING CAPITAL AND CONTRACT BALANCES

This section contains information on contract balances and working capital.

Contract balances show assets and liabilities arising from contracts with clients.

The main components of working capital are accrued revenue, accounts receivable, and other payables.

Working capital management prioritizes ensuring a strong cash flow performance. In this section, the following notes are presented:

5.1 Receivables
5.2 Contract balances
5.3 Trade payables and other payables

5.1 RECEIVABLES

Accounting policy

A receivable is the Group's unconditional right to consideration and is accounted for in accordance with IFRS 9. As the objective of the Group's business model for realizing these assets is to collect contractual cash flows, they are initially recognized at fair value, and subsequently carried at amortized cost less expected loss allowance.

The Group assesses possible increase in credit risk for financial assets measured at amortized cost at the end of each reporting period. For trade receivables from clients and accrued revenue, the simplified approach is used, and the loss allowance is measured at the estimate of the lifetime expected credit losses.

For trade receivables not due and for trade receivables past due for up to a maximum of 360 days, an expected loss rate between 0.04% and 1.02% is applied, depending on region of origin and the client's credit rating. Higher expected loss rates are used if an individual assessment indicates a higher probability of default. In calculating the expected credit loss rates, the Group considers historical loss rates, and adjusts for forward looking macroeconomic data, refer to note 6.2 Risk for additional information. In addition, trade receivable more than 360 days overdue are assessed for impairment individually.

If there is no reasonable expectation of recovery, the gross carrying amount is written-off.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in repayment plan with the Group, and a failure to make contractual payments for a period greater than 360 days past due.

Derivatives

Derivative financial assets with a positive fair value at the balance sheet date are initially recognized at fair value as of the trade date as a trade receivable. For additional information refer to note 6.3 Financial assets and liabilities.

RECEIVABLES

EUR '000	2018	2017
Trade receivables from clients	46,414	45,425
Accrued revenue	30,700	37,183
Loss allowance	-100	-
Derivate financial instruments	-	776
Other receivables	2,151	2,696
Total receivables at December 31	79,165	86,080
Aging of trade receivables from clients at December 31:		
Not due	37,312	37,556
Overdue between 1 and 30 days	5,966	5,911
Overdue between 30 and 90 days	2,424	1,524
Overdue over 90 days	712	434
Total trade receivables from clients	46,414	45,425

No security has been received with respect to trade receivables.

Based on the rates applied the identified expected loss provision was immaterial for 2017.

No impairment was recognized for trade receivables in 2018 or in 2017. Balances presented above are past due, but not individually impaired.

Accrued revenue consists mainly of revenue from the sale of perpetual software licenses and receivables from professional services contracts in progress.

Other receivables comprise mainly sales and payroll taxes.

The Group's exposure to currency and credit risk for trade receivables is disclosed in Note 6.2 Risk.

NOTES

5.2 CONTRACT BALANCES

Contract assets are expected to be realized within the Group's normal operating cycle, 20% of it is expected to be realized within the next twelve months.

Accounting policy

Contract balances consist of client-related assets and liabilities. Contract assets stem from subscription agreements with payments in the future. When control over goods or services is transferred to a client before the client pays consideration, the contract is recognized as either a contract asset or a receivable. A contract asset represents the right to consideration in exchange for the right to use software or services transferred to a client when that right is conditional on SimCorp's future performance.

If the timing of payments specified in the contract provides the client with a significant financing benefit, the transaction price is adjusted to reflect this financing component. The Group applies the practical expedient in paragraph 129 of IFRS 15 and does not adjust the amount of consideration for the effects of a financing component if it expects, at contract inception, that the period between delivery and payment will be one year or less.

Contract assets relate to the Group's rights to consideration for software licensed to clients under subscription agreements with future payments, subsequent to revenue recognition.

When a client pays consideration in advance, or an amount of consideration is due contractually before transferring of the license or service, then the amount received in advance presented as a liability. Contract liabilities represent mainly prepayments from clients for unsatisfied or partially satisfied performance obligations in relation to licenses, software updates and support, and services. Software updates and support and ASP billing generally occurs at periodic intervals (e.g. quarterly or yearly) prior to revenue recognition, resulting in liabilities.

The majority of license agreements are recognized as revenue in the year of sale. However, contracts with functionality gaps or acceptance criteria may have revenue recognition deferred, resulting in a contract liability when billing has occurred. Contracts in progress relating to fixed fee professional services are measured at the estimated sales value of the proportion of the contract completed at the balance sheet date. Amounts invoiced on account in excess of work completed are included in prepayments under current liabilities.

Contract assets are within the scope of impairment requirements in IFRS 9. For contract assets the simplified approach is used and the expected loss provision is measured at the estimate of the lifetime expected credit losses.

An expected loss rate between 0.40% - 2.38% is applied, based on average default rates by region as published by Standard & Poor. For additional information refer to note 6.2 Risk.

NOTES

5.2 CONTRACT BALANCES (CONTINUED)

CHANGES IN CONTRACT ASSETS

EUR '000	Opening balance/ IFRS 15 adoption adjustment	Net additions	Invoiced from opening balance/ IFRS 15 adjustment	Adjustments[1]	Business combinations	Financing income recognized	Closing balance
2018							
Contract assets (gross)	52,547	52,308	-12,102	-980	-	-	91,773
Interest revenue from contract assets[2]	-2,601	-3,763	-	-200	-	1,087	-5,477
Loss allowance[3]	-	-612	-	-	-	-	-612
Contract assets (NPV)	49,946	47,933	-12,102	-1,180	-	1,087	85,684
2017							
Contract assets (gross)	25,453	34,742	-9,450	-1,584	3,386	-	52,547
Interest revenue from contract assets	-806	-2,275	-	70	-	410	-2,601
Contract assets (NPV)	24,647	32,467	-9,450	-1,514	3,386	410	49,946

1 Adjustments include: reclassifications, cancellations, foreign exchange adjustments, cumulative catch-up adjustments (including those arising from change in measurement of progress, change in estimate of transaction price and contract modifications), change in time frame for a right to consideration to become unconditional or for a performance obligation to be satisfied.

2 With the amendment that IFRS 9 made to IAS 1.82 the Group has elected to disclose within revenue the interest income derived from the financial component provision made to contract assets. Previous periods have not been restated due to immateriality.

3 Loss allowance arises from the adoption of IFRS 9.

INVOICING OF CONTRACT ASSETS

EUR '000	2018	2017
1 to 6 months	8,731	8,349
7 to 12 months	10,008	3,768
13 to 24 months	16,753	11,007
25 to 36 months	14,404	9,200
37 to 48 months	13,841	6,761
49 to 60 months	10,782	6,298
After 60 months	17,254	7,164
Total contract assets (gross)	91,773	52,547

The table indicates when the balance in contract assets with clients, gross of interest and expected loss allowance, is expected to be invoiced.

NOTES

5.2 CONTRACT BALANCES (CONTINUED)

CHANGES IN CONTRACT LIABILITIES

EUR '000	Opening balance	IFRS 15 adoption adjustment	Net additions	Revenue recognized from liability opening balance	Adjustments[1]	Business combinations	Closing balance
2018							
Contract liabilities - licenses	2,678	-	3,074	-1,348	47	-	4,451
Contract liabilities - software updates and support	3,496	-	4,676	-2,468	56	-	5,760
Contract liabilities - services	2,350	-	1,639	-1,501	7	-	2,495
Contract liabilities - other	3,445	-	3,977	-2,403	-21	-	4,998
Contract liabilities (pre-payments from clients)	11,969	-	13,366	-7,720	89	-	17,704
2017							
Contract liabilities - licenses	5,840	-2,994	-34	-1,484	-113	1,463	2,678
Contract liabilities - software updates and support	2,037	-	1,979	-1,614	-369	1,463	3,496
Contract liabilities - services	2,861	-	1,334	-1,828	-17	-	2,350
Contract liabilities - other	3,909	-	425	-2,048	-385	1,544	3,445
Contract liabilities (pre-payments from clients)	14,647	-2,994	3,704	-6,974	-884	4,470	11,969

[1] Adjustments include: reclassifications, foreign exchange adjustments, cumulative catch-up adjustments (including those arising from change in measurement of progress, change in estimate of transaction price and contract modifications), change in time frame for a right to consideration to become unconditional or for a performance obligation to be satisfied.

5.3 TRADE PAYABLES AND OTHER PAYABLES

Accounting policy

Other payables include bonus and commission accruals, vacation pay obligations, payroll taxes and VAT. Payables are measured at cost.

TRADE PAYABLES AND OTHER PAYABLES

EUR '000	2018	2017
Trade payables	17,257	12,358
Accrued vacation payable	13,182	12,449
Bonus and commissions payable	20,289	16,438
Payroll taxes, VAT etc., payable	8,947	9,113
Total trade payables and other payables	59,675	50,358

Exposure to currency and liquidity risk for trade and other payables is disclosed in Note 6.2.

NOTES

SECTION 6
CAPITAL STRUCTURE AND FINANCING ITEMS

SimCorp's policy is to pay dividends of at least 40% of Group profit on ordinary activities after tax, provided that cash holdings and credit lines exceed 10% of the projected cost for the coming year. Additional cash will, unless other cash requirements are foreseen, be used to buy treasury shares.

In this section, the following notes are presented:

6.1 Equity, treasury shares, and dividends
6.2 Risk
6.3 Financial assets and liabilities
6.4 Financial income and expenses

6.1 EQUITY, TREASURY SHARES, AND DIVIDENDS

Accounting policy

Treasury shares acquired by the Parent company are recognized in the balance sheet at zero value. Dividends from such shares are recognized in equity.

At December 31, 2018, the share capital amounted to 40,500,000 DKK divided into 40,500,000 shares (2017: 40,690,767 DKK divided into 40,690,767 shares). During the year 190,767 shares were canceled (2017: 1,000,000) and no shares were issued (2017: 190,767). The company's shares are traded on Nasdaq Copenhagen in denominations of DKK 1. No shares confer any special rights upon any shareholder. No shares are subject to restrictions on transferability or voting rights.

The share capital may be increased in one or more issues by a total nominal amount of up to DKK 4,000,000 (4,000,000 shares of DKK 1 nominal value) as directed by the Board of Directors with respect to time and terms. This authority is valid for a period of five years, expiring on March 1, 2022, and may be extended by the shareholders for one or more periods of up to five years at a time.

The capital increase may be effected by cash payment or otherwise. The capital increase may be effected without pre-emption rights to the company's existing shareholders, if the shares are issued at market price or as consideration for the company's acquisition of an existing operation or specific assets of a value that equals the value of the shares issued.

Except for the cases specified in the preceding period, the company's existing shareholders shall have a right to subscribe new shares proportionately to their existing holdings. The new shares shall be negotiable instruments, and no restrictions shall apply to the transferability of the shares. No shareholders shall be under an obligation to have their shares redeemed in full or in part by the company or any other party.

Unless Danish legislation provides for a greater majority or unanimity, the adoption of resolutions regarding amendments to the company's articles of association and the company's dissolution or merger with another company requires a majority of not less than two thirds of all the votes cast as well as of the voting share capital represented at the relevant general meeting, and that not less than 50% of the share capital is represented at the general meeting. Should less than 50% of the share capital be represented at the general meeting, and the resolution is adopted by not less than two thirds of the votes cast as well as of the voting share capital represented at the general meeting, another general meeting may be called within 14 days after the preceding general meeting. At the new general meeting, the resolution can be adopted by not less than two thirds of the votes cast as well as of the voting share capital represented at the general meeting. Refer to pages 39 to 42 for additional information.

At the Extraordinary Shareholder Meeting held on May 31, 2018, an amendment to the articles of association of the Company was approved allowing the Company to reduce its nominal share capital by DKK 190,767 by cancellation of treasury shares. The reduction was effective on June 29, 2018.

SHARE CAPITAL

	Number of shares		Nominal value EUR '000	
	2018	2017	2018	2017
At January 1	40,690,767	41,500,000	5,467	5,575
Cancellation of treasury shares	-190,767	-1,000,000	-26	-134
Shares issued	-	190,767	-	26
At December 31	40,500,000	40,690,767	5,441	5,467

NOTES

6.1 EQUITY, TREASURY SHARES, AND DIVIDENDS (CONTINUED)

On August 1, 2017, pursuant to the authority granted by SimCorp's shareholders, 190,767 shares were issued. The new shares were subscribed-for by contribution of shares in A.P.L. Italiana S.p.A. (renamed SimCorp Italiana S.P.A.) totaling EUR 10.0m. The market price was calculated based on the average closing price of SimCorp A/S' shares on Nasdaq Copenhagen for the 5 (five) trading days following SimCorp A/S' publication of the execution of the agreement on June 29, 2017, i.e. during the period June 30, 2017 – July 6, 2017, both days inclusive. The subscription nominal price per share is of DKK 1 is DKK 389.84. Under the terms of the share purchase agreement, the sellers of A.P.L. Italiana S.p.A. have accepted certain restrictions on the sale and transfer of the shares, including a lock-up period. One third of the shares were released after publication of the Group's 2018 first quarter interim report (May 2018). The second third will be released after publication of the 2018 Annual Report (February 2019). The final third will be released after the publication of the 2019 Annual Report (February 2020).

Treasury shares
The market value of treasury shares at December 31, 2018 was EUR 54.8m (2017: EUR 61.0m). The treasury shares are carried at EUR 0.0m (2017: EUR 0.0m) in the financial statements.

The Board of Directors has been authorized to let the company acquire treasury shares of up to a total nominal value of 10% of the company's share capital including the company's current holding of treasury shares.

In 2018, SimCorp A/S did not acquire treasury shares (2017: 472,829 shares at an average price of DKK 394.57 per share equal to a purchase price of EUR 25.1m).

In 2018, SimCorp A/S delivered 177,952 treasury shares as part of the share based remuneration program for a nominal value of DKK 177,952 (2017: DKK 223,761) calculated at an average market price of DKK 402.99 per share (2017: DKK 377.62 per share), equal to a calculated price of EUR 9.6m (2017: EUR 11.4m).

The company acquires treasury shares to reduce share capital and to cover obligations arising from restricted stock unit programs.

Capital management and dividends policy
The Board of Directors regularly assesses the need for adjusting the capital structure, including the requirement for cash, credit facilities, and equity.

SimCorp intends going forward to pay dividends of at least 40% of the Group profit on ordinary activities after tax. In addition, the company buys treasury shares provided that it does not anticipate specific cash requirements.

SimCorp did not initiate a share buyback program in 2018 as additional cash was used to repay loan facilities. In 2019, given there are no specific requirements for liquidity, SimCorp expects to buy back shares with the intention to purchase shares for EUR 25m in the following 12 months in two half yearly buy-back programs of EUR 12.5m each.

Distribution of dividends to shareholders has no tax consequences for the company.

The Board of Directors intends to recommend to the shareholders at the Annual General Meeting that dividends of approximately EUR 35.9m (2017: EUR 34.4m), equal to DKK 6.75 (2017: DKK 6.50) per 1 share, be distributed and that the company be authorized to acquire treasury shares for up to 10% of the company's share capital.

TREASURY SHARES

	Number of shares		Acquisition value EUR '000		Percent of share capital	
	2018	2017	2018	2017	2018	2017
At January 1	1,286,437	2,037,369	63,312	77,655	3.2	4.9
Foreign exchange adjustment	-	-	-152	-109	-	-
Cancellation	-190,767	-1,000,000	-8,736	-28,780	-0.5	-2.5
Purchases	-	472,829	-	25,059	-	1.2
Used RSU program	-177,952	-223,761	-8,023	-10,513	-0.4	-0.4
At December 31	917,718	1,286,437	46,401	63,312	2.3	3.2

NOTES

6.2 RISK

Due to the nature of its operations, investments, and financing, the Group is exposed to changes in exchange rates and interest rates.

The Group's policy is to direct financial management towards the management of financial risks related to operations and finance. The Group's financial risks are managed centrally by the Group Finance department according to policies committed in writing and approved by the Board of Directors. The purpose is to ensure efficient liquidity management. Excess liquidity is transferred to SimCorp A/S which operates as the internal bank for the Group.

The scope and nature of the Group's financial instruments appear from the income statement and the balance sheet in accordance with the accounting policies applied. This note provides information about factors that may influence amounts, time of payment, or reliability of future payments, where such information is not provided directly in the financial statements.

This note addresses only financial risks directly related to the Group's financial instruments as detailed in note 6.3 Financial assets and liabilities.

The Group's most important operational and commercial risk factors are described in more detail on pages 28-30 of the annual report.

Currency risk

Currency risk is the risk that arises from changes in exchange rates and affects the Group's result. The Group's foreign subsidiaries are not severely impacted by foreign exchange fluctuations, as both income and costs are generally settled in the functional (local) currency of the individual entity and material cash balances are transferred to SimCorp A/S.

The consolidated income statement is impacted by changes in exchange rates. The results of foreign subsidiaries are translated from their functional currency to EUR at the exchange rates ruling on the dates of underlying transactions. The average exchange rate for the month is used to reflect the transaction dates' exchange rates.

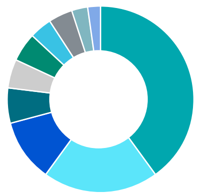
The table below shows currency exposure to each currency as at the balance sheet date based on the functional currencies of the individual Group companies. Additionally, the revenue allocation by currency is illustrated.

CURRENCY EXPOSURE

EUR '000	2018 Receivables	2018 Contract assets	2018 Cash/equivalents	2018 Debt	2018 Net position	2017 Receivables	2017 Contract assets	2017 Cash/equivalents	2017 Debt	2017 Net position
EUR/DKK	9,123	1,377	17,623	3,698	24,425	7,277	-	3,367	31,693	-21,049
EUR/SEK	443	4,825	3	2	5,269	284	2,273	-	3	2,554
USD/SGD	43	2,424	791	-	3,258	253	5,566	-	-	5,819
SEK/DKK	414	2,482	1	53	2,844	655	3,334	29	459	3,559
EUR/CHF	1,973	-	287	-	2,260	1,200	-	275	-	1,475
USD/GBP	825	387	298	383	1,127	797	743	647	51	2,136
EUR/GBP	45	1,138	19	138	1,064	39	729	-	43	725
CHF/DKK	-	-	-	-	-	55	768	2	9,747	-8,922

CHF/DKK relates to a CHF hedge against the DKK in 2017.

REVENUE BY CURRENCY 2018



	2018	2017
EUR	40%	37%
USD	20%	17%
DKK	11%	10%
SEK	6%	5%
GBP	5%	7%
CHF	5%	6%
NOK	4%	4%
CAD	4%	5%
SGD	3%	5%
AUD	2%	4%

NOTES

6.2 RISK (CONTINUED)

The Group's foreign exchange management policy is to balance incoming and outgoing payments in local currency as much as possible and generally seek to ensure that an increasing number of contracts entered into are EUR-denominated. When placing surplus funds, the Group generally seeks to minimize its net exposure in individual currencies. At the balance sheet date, SimCorp A/S had no financial hedges (2017: CHF 10.5m at CHF rates against DKK of between 6.90 and 6.93).

In order to mitigate currency risk in relation to Ukraine, SimCorp is using USD for salaries in that country.

Currency exposures from investments in subsidiaries have not been hedged. The related exchange rate adjustments are recognized in other comprehensive income.

Sensitivity analysis of currency exposure
Based on the net exposure of the Group, the hypothetical impact of exchange rate fluctuations on the profit before tax for the year and equity, is as follows:

SENSITIVITY ANALYSIS

	2018		2017	
	Change in cross rate	EUR '000	Change in cross rate	EUR '000
EUR/SEK	5%	263	5%	128
USD/SGD	5%	163	5%	291
SEK/DKK	5%	142	5%	178
EUR/CHF	10%	226	10%	148
USD/GBP	10%	113	10%	214
EUR/GBP	10%	106	10%	73
CHF/DKK	10%	-	10%	-892

A corresponding decrease in the cross rate would have an equivalent opposite effect on profit before tax and equity.

The sensitivity analysis has been prepared at the balance sheet date based on the exposure to the listed currencies at the balance sheet date, without taking into account potential effects on interest rate levels, effect on other currencies, etc.

Interest risk

The Group's interest rate risks are generally related to its bank deposits, credit facilities, and short-term loan.

Deposits
The Group had cash deposits of EUR 47.5m at December 31, 2018 (2017: EUR 31.4m) carrying a variable rate of interest based on the money market rate. The effective rate of interest varies with the currency and, made up at the balance sheet date, fluctuated between -0.6%-0.0% in 2018 (2017: -1.0%-0.0%) for significant cash deposits.

Debt
The Group had no outstanding loans at December 31, 2018 (2017: EUR 30.0m, carrying a variable rate of interest based on the money market rate). See Note 6.3 for additional information.

Sensitivity
If interest rates increased by one percentage point, the interest rate sensitivity as calculated based on quarterly cash deposits at the end of the quarters in 2018 and 2017, respectively, would have a positive impact of EUR 0.5m (2017: EUR 0.3m) for the Group. A corresponding decrease in interest rates would have the opposite impact. The impact of change in interest levels on the equity of the Group does not deviate significantly from the impact on the profit and loss for the year.

NOTES

6.2 RISK (CONTINUED)

Liquidity risk

It is SimCorp's policy that cash reserves must exceed 10% of the coming year's expected costs.

Cash reserve and expected cash flow for 2019 are considered to be adequate to meet the obligations of the Group as they fall due.

Cash reserve comprises cash and cash equivalent and unutilized credit facilities. The Group aims to have sufficient cash reserves to allow it to continue to operate adequately in case of unforeseen fluctuations in cash.

SimCorp has a revolving committed credit facility of EUR 30m expiring January 8, 2021. At December 31, 2018, the Group had unused credit facilities in banks of EUR 26.6m (2017: EUR 5.3m).

Cash and cash equivalents amounted to EUR 47.5m in 2018 (2017: EUR 31.4m).

The table below indicates when the current and non-current liabilities, including interest, per December 31, 2018 and December 31, 2017, respectively, are expected to fall due. Interest payments are estimated based on current market conditions. The maturity profile of the Group's operational leasing obligations appears in Note 7.3.

LIABILITIES AT 31 DECEMBER

	Current				Non-current			
	1 to 6 months		7 to 12 months		1 to 5 years		later than 5 years	
EUR '000	2018	2017	2018	2017	2018	2017	2018	2017
Bank loan	-	-	-	30,000	-	-	-	-
Trade payables	16,148	11,450	336	245	773	332	-	331
Provisions	475	947	251	554	2,269	3,266	5,989	3,451
Other payables	33,964	32,534	6,156	3,414	2,298	2,052	-	-
Income tax and deferred tax	966	1,146	2,151	4,363	9,447	5,799	2,281	2,182
Total liabilities	51,553	46,077	8,894	38,576	14,787	11,449	8,270	5,964

Credit risk

The maximum exposure to credit risk equals the following carrying amounts:

CREDIT RISK

EUR '000	2018	2017
Cash and cash equivalents	47,500	31,412
Trade receivables from clients	46,414	45,425
Accrued revenue	30,700	37,183
Contract assets	91,773	52,547
Other receivables	2,151	2,696
Maximum credit exposure	218,538	169,263

The Group is not exposed to significant risks concerning individual clients or business partners as clients are generally major investment managers in the financial sector. Under the Group's policy for assuming credit risk, all major clients and other business partners are assessed prior to any contract being signed.

Credit risk relating to cash funds comprising current account bank deposits is deemed to be immaterial as the accounts are held with selected recognized international banks with high credit ratings. No security has been received.

Receivables

In assessing expected credit loss of trade receivables which comprises many small balances, the Group uses an allowance matrix. Expected loss rates are calculated separately for exposures in different segments based on common credit risk characteristics in relation to geographical region. Two factors are therefore considered when estimating expected loss rates: the actual credit loss experienced over the past 7 years and a factor which reflects differences between economic conditions during the period over which the rates were collected, current conditions, and the Group's view of economic conditions over the expected life of the receivables.

Expected loss factors for all delinquency stages are currently null for all aging categories based on historical levels as the actual credit loss experienced was null for all categories over the last 7 years. Receivables over three hundred and sixty days past due are also individually assessed for impairment.

Accumulated average corporate default rates by region as published by Standard & Poor are used as proxy for probability of loss as these provide an indication on counterparty default risk by region of origin (between 0.04% and 1.02%). Higher expected loss rates were used for certain balances if an individual assessment indicated a higher probability of default.

NOTES

6.2 RISK (CONTINUED)

The table below depicts exposure to credit risk for trade by geographical region:

Geographical category Other includes: Azerbaijan, Kuwait and United Arab Emirates.

RECEIVABLES QUALITY BY GEOGRAPHICAL REGION*

	2018			2017
	Weighted average expected loss rate	Loss allowance EUR'000	Carrying amount EUR'000	Carrying amount EUR'000
Europe	0.13%	67	49,592	57,643
North America	0.13%	24	18,573	20,816
Asia	0.11%	7	6,287	1,691
Australia	0.07%	1	1,374	1,167
Other	0.08%	1	1,188	1,291
Total receivables	0.13%	100	77,014	82,608

* Trade receivables and accrued revenue.

The table below depicts information about exposure to credit risk and expected credit loss for trade receivables from individual customers as at December 31:

CREDIT RISK EXPOSURE RECEIVABLES

	2018			2017
	Weighted average expected loss rate	Loss allowance EUR'000	Carrying amount EUR'000	Carrying amount EUR'000
Not due	0.09%	59	67,954	74,739
Overdue between 1 and 30 days	0.03%	2	5,964	5,911
Overdue between 30 and 90 days	0.04%	1	2,423	1,524
Overdue over 90 days	5.65%	38	673	434
Total	0.13%	100	77,014	82,608

No single client represents more than 9.5% (2017: 7.1%) of total receivables from clients.

Contract assets
The expected credit loss provision is measured at the estimate of the lifetime expected credit losses. An expected loss rate from 0.04% up to 3.18% is applied for clients with investment grade rating depending on the length of the asset's lifetime and location.

Expected loss rates are based on average default rates by region as published by Standard & Poor.

For unrated clients and clients that do not have investment grade rating, an expected loss rate from 0.38% up to 13.79% is applied depending on the length of the asset's lifetime and location.

The table depicts exposure to credit risk for contract assets by geographical region:

CONTRACT ASSETS QUALITY BY GEOGRAPHICAL REGION

	2018			2017
	Weighted average expected loss rate	Loss allowance EUR'000	Carrying amount EUR'000	Carrying amount EUR'000
Europe	0.40%	143	35,363	20,302
North America	0.81%	321	39,617	18,777
Asia	1.06%	86	8,103	7,552
Australia	2.38%	62	2,601	3,315
Total contract assets	0.71%	612	85,684	49,946

Timing of invoicing for the contract assets balance can be found in note 5.2.

NOTES

6.3 FINANCIAL ASSETS AND LIABILITIES

The Group has adopted all of the requirements of IFRS 9 Financial Instruments as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group's accounting policy with respect to financial liabilities is unchanged as most requirements for classification and measurement of financial liabilities were carried forward in IFRS 9.

The accounting policy for financial assets has changed retrospectively, for assets that were recognized at the date of application. The Group has made use of the relief from restating comparative figures.

Under IFRS 9, financial assets are classified according to their cash flow characteristics and the business model in which they are managed. The Group has categorized its financial assets to financial assets measured at amortized cost, at fair value through the income statement and at fair value through other comprehensive income. The new classification requirements have no impact on the classification, measurement and carrying amount of the group's financial assets.

Accounting policy

All financial assets and liabilities, except for derivatives, are measured at amortized cost. The carrying amount of these approximate fair value. Financial assets which have been modified or renegotiated during the period are assessed individually for impairment.

Derivatives

Derivative financial assets with a positive fair value at the balance sheet date are initially recognized as a trade receivable. Subsequently, derivatives are carried at fair value through profit and loss. Fair value is determined using generally accepted valuation techniques based on observable exchange rates and yield curves. Realized and unrealized gains and losses from changes in fair values are recognized in the statement of income in the period in which they have arisen.

Loans

Loans are initially recognized at fair value less transaction cost, fair value does not materially differ from carrying amount since interest payable is close to current market rates.

Deposits

Refer to Note 7.6.

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

EUR '000	Measured at amortized cost	Fair value through income statement	Carrying amount
2018			
Deposits	1,983	-	1,983
Non-current financial assets	**1,983**	**-**	**1,983**
Receivables	79,165	-	79,165
Cash and cash equivalents	47,500	-	47,500
Current financial assets	**126,665**	**-**	**126,665**
Bank loan	-	-	-
Trade payables and other payables	59,675	-	59,675
Current financial liabilities	**59,675**	**-**	**59,675**
2017			
Deposits	1,995	-	1,995
Non-current financial assets	**1,995**	**-**	**1,995**
Receivables	85,304	776	86,080
Cash and cash equivalents	31,412	-	31,412
Current financial assets	**116,716**	**776**	**117,492**
Bank loan	30,000	-	30,000
Trade payables and other payables	50,358	-	50,358
Current financial liabilities	**80,358**	**-**	**80,358**

At December 31, 2018 the Group held no derivative financial instruments, (2017: forward exchange transactions for the sale of CHF 10.5m against DKK in the period from February 2018 to November 2018 at fair value). In 2017, the forward exchange contracts were included in level 2 (observable input), positive EUR 0.1m.

In 2017, SimCorp obtained a EUR 30m loan for the acquisition of A.P.L. Italiana S.p.A. Changes in liabilities arising from financing activities in 2018 comprise loan re-payment of EUR 30m.

NOTES

6.4 FINANCIAL INCOME AND EXPENSES

Accounting policy

Financial income and expenses include: interest income, interest expense, amortization of borrowing issue costs, realized and unrealized exchange gains and losses, refunds under the Danish tax prepayment scheme, changes to the fair value of derivative financial instruments, withholding tax, amortization of financial assets and liabilities, as well as surcharges under the Danish tax prepayment scheme. All borrowing cost is recognized in profit or loss using the effective interest method.

Dividends on investments in associates are recognized in the Group's income statement in the financial year in which the dividends is declared.

Differences arising when derivatives are re-measured at fair value are taken through profit or loss in financial income or financial expenses. Attributable transaction costs are recognized in the income statement.

In connection with the amendment that IFRS 9 made to IAS 1.82 the Group has elected to disclose within revenue the interest income derived from the financial component provision made to contract assets. Previous periods have not been restated.

FINANCIAL INCOME AND EXPENSES

EUR '000	2018	2017
Financial income		
Interest income, cash etc.,	43	18
Interest income, client contracts	-	410
Interest income	43	428
Dividends from associates	43	86
Fair value adjustments, derivatives	-	827
Foreign exchange gains, derivatives	723	162
Foreign exchange adjustments	3,885	1,922
Financial income - other	4,651	2,997
Total financial income	4,694	3,425
Financial expenses		
Loss, dilution of ownership in associates	264	70
Interest expenses, financial assets carried at amortized cost	257	97
Interest expenses, financial liabilities carried at amortized cost	17	14
Interest expenses, pension	25	24
Other financial expenses	231	254
Fair value adjustments, derivatives	767	-
Foreign exchange adjustments	4,030	4,221
Total financial expenses	5,591	4,680

NOTES

SECTION 7
OTHER DISCLOSURES

This section contains other required disclosures relevant for the understanding of the Groups' financial statements, but which are not essential for the understanding of the individual themes in the previous sections.

In this section, the following notes are presented:

7.1 Share-based remuneration
7.2 Pensions and similar liabilities
7.3 Operating leases
7.4 Related party transactions
7.5 Auditors' remuneration
7.6 Deposits
7.7 Contingent liabilities
7.8 Events after the balance sheet date
7.9 Adjustments, cash flow
7.10 Segment information reconciliation of the profit before tax
7.11 Subsidiaries

7.1 SHARE BASED REMUNERATION

SimCorp's Board of Directors has adopted an overall policy for remuneration and incentive programs. The policy has been approved by shareholders at the Annual General Meeting with the overall objective being to promote awareness of profitable growth and the Group's long-term goals.

The Board of Directors wishes the company to offer share-based remuneration. The Board of Directors also believes that it is a natural decision for a company like SimCorp to offer shares to its Board members as a minor part of their overall remuneration. Shares are granted to members of the Board of Directors subject to approval at the Annual General Meeting.

In the 2018 financial year, EUR 7.2m was charged to the income statement in respect of share-based remuneration: EUR 5.5m relate to issued RSUs, EUR 1.5m relate to corporate bonus 2018 provision, and EUR 0.2m relate to shares to the Board of Directors (2017: EUR 6m charged to the income statement; EUR 4.7m from RSUs, EUR 1.1m from corporate bonus provision and EUR 0.2m from shares to the Board of Directors).

Accounting policy

For restricted stock units (RSUs), the fair value is measured at the grant date, adjusted for estimated dividends and recognized in the income statement as employee cost over the vesting period. The counter entry is recognized directly in equity.

On initial recognition, the number of RSUs expected to vest is estimated. Subsequently, adjustments are made for changes in the number of employees estimated to become entitled to RSUs. Upon resignation employees forgo all unvested RSUs, these are reported as canceled.

The number of the RSUs is also adjusted when performance conditions are only partly met. Such adjustments are reported under performance adjustments.

All adjustments are recognized in the income statement as employee cost.

Shares

Shares to the Board of Directors

In the financial year January 1 to December 31, 2018, a cost of EUR 229 thousand (2017: EUR 212 thousand) was charged to the income statement in respect of this program. The company will allot 4,241 treasury shares after publication of the Annual Report 2018 to members of SimCorp's Board of Directors (2017: 4,120 treasury shares).

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

Restricted stock units (RSUs)

The Group grants RSUs to its employees and Executive Management Board (EMB) as part of its three incentive programs: long-term incentive program, corporate bonus, and special retention programs. The table shows a summary of changes in the balance of outstanding RSUs from January 1, 2017 to December 31, 2018. A specification of the different incentive programs which grant RSUs to employees follows on pages 99 to 104.

RSUs SUMMARY

Grant year	2012	2014	2015	2016	2017	2018	**Total**	Board of Directors*	Executive Management Board	Other employees
Fair value at time of grant (EURm)	1.4	7.6	6.5	6.4	9.7	10.6	42.2			
Outstanding January 1, 2017	21,444	145,640	161,881	156,398	-	-	485,363	1,377	81,797	402,189
Granted	-	-	-	-	183,124	-	183,124	621	30,252	152,251
Vested	-21,444	-130,015	-38,313	-29,631	-	-	-219,403	-821	-44,119	-174,463
Canceled	-	-625	-4,651	-3,832	-3,129	-	-12,237	-	-	-12,237
Outstanding December 31, 2017	-	15,000	118,917	122,935	179,995	-	436,847	1,177	67,930	367,740
Granted	-	-	-	-	-	193,912	193,912	675	47,402	145,835
Vested	-	-	-118,234	-28,560	-27,903	-	-174,697	-483	-22,638	-151,576
Performance adjustment	-	-3,214	-	-1,547	-	-	-4,761	-	-370	-4,391
Canceled	-	-	-683	-3,072	-10,592	-4,150	-18,497	-	-	-18,497
Outstanding December 31, 2018	-	11,786	-	89,756	141,500	189,762	432,804	1,369	92,324	339,111
Average remaining term (years)										
2018	-	0.17	-	0.19	1.11	1.69				
2017	-	1.17	0.58	1.50	1.79	-				
Charge to the income statement (EURm)										
2018	-	0.01	0.17	0.97	2.01	2.33	5.49			
2017	0.03	0.22	0.97	1.27	2.20		4.69			

* Board of Director's restricted stock units are acquired in a capacity as employees of SimCorp A/S.

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

Long-term incentive program
RSUs are granted annually in April to members of the EMB and key employees as part of the long-term incentive program. These vest three years after being granted subject to continuing employment and conditions with respect to average annual minimum revenue growth and annual average net operating profit after tax for the three consecutive financial years including the year of grant. If the two last conditions are only partially satisfied, the undertaking with respect to the number of shares transferred after three years is reduced and may possibly lapse completely.

The 2014 program was completed in 2017 when 72,246 shares were transferred to participants who have fulfilled the program's criteria and remained employed. The number of shares was not reduced due to performance compared with maximum under the program.

In relation to the 2015 program, 73,575 shares were transferred, in 2018, to participants who have fulfilled the program's criteria and remained employed. The number of shares was not reduced due to performance compared with maximum under the program (2017: no reduction).

In April 2016, 69,773 RSUs were granted to members of the EMB and key employees, and additional 1,927 RSUs were granted to senior management employees during the remainder of the year. The number of shares was reduced with 2.5% (1,547 RSUs) due to performance compared with the maximum under the program (2017: no reduction).

In April 2017, 54,866 RSUs were granted to members of the EMB and key employees, and additional 1,451 RSU were granted to senior management employees. The number of shares was not reduced due to performance compared with the maximum under the program (2017: no reduction).

In April 2018, 72,778 RSUs were granted to members of the EMB and key employees. The number of shares was not reduced due to performance compared with the maximum under the program.

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

LONG-TERM INCENTIVE PROGRAM

Grant year	2014	2015	2016	2017	2018	**Total**	Board of Directors*	Executive Management Board	Other employees
RSUs at time of grant	83,325	87,116	71,700	56,317	72,778				
Vesting period	Feb-17	Feb-18	Feb-19	Feb-20	Feb -21				
Fair value at time of grant (EURm)	2.4	2.7	2.9	3.2	4.0	15.2			
Outstanding January 1, 2017	72,871	76,361	66,756	-	-	215,988	313	51,694	163,981
Granted	-	-	-	56,317	-	56,317	-	15,231	41,086
Vested	-72,246	-	-	-	-	-72,246	-313	-18,230	-53,703
Canceled	-625	-2,786	-2,113	-485	-	-6,009	-	-	-6,009
Outstanding January 1, 2018	-	73,575	64,643	55,832	-	194,050	-	48,695	145,355
Granted	-	-	-	-	72,778	72,778	-	31,315	41,463
Vested	-	-73,575	-	-	-	-73,575	-	-18,682	-54,893
Performance adjustment	-	-	-1,547	-	-	-1,547	-	-370	-1,177
Canceled	-	-	-2,209	-776	-1,112	-4,097	-	-	-4,097
Outstanding December 31, 2018	-	-	60,887	55,056	71,666	187,609	-	60,958	126,651

Average remaining term (years)						
2018	-	-	0.17	1.17	2.17	
2017	-	0.17	1.17	2.17	-	
Charge to the income statement (EURm)						
2018	-	0.14	0.80	1.03	0.99	2.96
2017	0.13	0.72	0.86	0.78	-	2.49

*Board of Director's restricted stock units are acquired in a capacity as employees of SimCorp A/S.

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

Corporate bonus program
The annual corporate bonus program is linked to two key financial metrics: business growth and Group EBIT. Employees have the following options: receive the year's corporate bonus in cash; or waive their corporate bonus and elect to receive RSUs at a discount of 67%. Based on the waived bonus amount, the company grants RSUs to employees of the Parent company and its foreign subsidiaries. One third of these RSUs vest after one year, a further one third after two years, and the remaining third after three years, subject to continuing employment.

In March 2019, the company will grant RSUs as part of its corporate bonus program for 2018. EUR 1.5m was charged to the income statement in respect of this program in 2018 (2017: EUR 1.1m). These are not included in the specification below.

CORPORATE BONUS

Grant year	2014	2015	2016	2017	2018	**Total**	Board of Directors*	Executive Management Board	Other employees
RSUs at time of grant	144,718	120,031	93,396	87,246	109,152	554,543			
Vesting period	Mar-15/16/17	Mar-16/17/18	Mar-17/18/19	Mar-18/19/20	Mar-19/20/21				
Fair value at time of grant (EURm)	4.2	3.4	3.5	4.5	5.9	21.5			
Outstanding January 1, 2017	42,560	72,210	89,161	-	-	203,931	1,064	8,659	194,208
Granted	-	0	0	87,246	-	87,246	621	3,068	83,557
Vested	-42,560	-35,818	-29,631	-	-	-108,009	-508	-4,445	-103,056
Canceled	-	-1,381	-1,719	-2,644	-	-5,744	-	-	-5,744
Outstanding January 1, 2018	-	35,011	57,811	84,602	-	177,424	1,177	7,282	168,965
Granted	-	-	-	-	109,152	109,152	675	16,087	92,390
Vested	-	-34,328	-28,560	-27,903	-	-90,791	-483	-3,956	-86,352
Canceled	-	-683	-863	-1,567	-2,034	-5,147	-	-	-5,147
Outstanding December 31, 2018	-	-	28,388	55,132	107,118	190,638	1,369	19,413	169,856
Average remaining term (years)									
2018	-	-	0.25	0.75	1.25				
2017	-	0.25	0.75	1.25	-				
Charge to the income statement (EURm)									
2018	-	0.03	0.16	0.57	1.26	2.02			
2017	0.04	0.17	0.40	1.00	-	1.61			

*Board of Director's restricted stock units are acquired in a capacity as employees of SimCorp A/S.

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

Other incentive programs
RSUs with particular vesting conditions are occasionally granted to key personnel upon hiring as a part of a sign-on agreement, special performance incentives, or similar incentives. An overview of balances related to such incentive programs is presented, as well as a short description of particular vesting conditions.

In connection with Klaus Holse's appointment as CEO, 107,220 RSUs were granted to him on September 1, 2012, when Klaus Holse completed his personal investment of DKK 5m in SimCorp shares. Sixty percent of these RSUs vested in 2015, further twenty percent vested in 2016, and the remaining twenty percent in 2017. The program was completed in 2017.

In connection with Michael Rosenvold's appointment as CFO, 11,953 RSUs were granted to him on October 1, 2017, when he completed his personal investment of DKK 2.5m in SimCorp shares. Sixty percent of these RSUs will vest in 2020, further twenty percent will vest in 2021 and the remaining twenty percent will vest in 2022.

OTHER INCENTIVE PROGRAMS – EXECUTIVE MANAGEMENT BOARD

Grant year	2012	2017	**Total**
RSUs at time of grant	107,220	11,953	
Program	CEO	CFO	
Vesting period	Sep-15/16/17	Oct-20/21/22	
Fair value at time of grant (EURm)	1.4	0.6	2.0
Outstanding January 1, 2017	21,444	-	21,444
Granted	-	11,953	11,953
Vested	-21,444	-	-21,444
Outstanding January 1, 2018	-	11,953	11,953
Outstanding December 31, 2018	-	11,953	11,953
Average remaining term (years)			
2018	-	2.43	
2017	-	3.83	
Charge to the income statement (EURm)			
2018	-	0.18	0.18
2017	0.03	0.04	0.07

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

Occasionally RSUs with particular vesting conditions are granted to other employees, either as retention or sign-on incentives.

Granted 2014
9,170 RSUs were granted in connection with the appointment of a senior management employee in the UK. This program was completed in February 2017 and 7,175 shares were transferred, a reduction of 1,995 shares.

In relation to the acquisition of SimCorp Coric Ltd., 8,431 RSUs were granted to management and key employees of SimCorp Coric Ltd. These vested in 2017 subject to continuing employment. The program has been completed in February 2017 and 4,869 shares were transferred, a reduction of 3,562.

In relation to the appointment of a new head of North America, 9,493 RSUs were granted vesting one third per year over the following three years, subject to continuing employment as part of a sign-on agreement. All shares have been transferred and the program was completed in 2017. In addition, 15,000 RSUs were granted as a performance related incentive. The terms and conditions for the program have been updated in 2017 and the RSUs will vest at the end of February 2019.

In this program, RSUs are subject to continuing employment and conditions with respect to annual revenue growth in North America for the financial year 2018. As the conditions were only partially satisfied, the number of shares was reduced by 21.4% compared with maximum under the program (2017: no reduction).

Granted 2015
In connection with the appointment of senior management employees in North America, 7,971 RSUs have been granted as sign-on incentive. One third of these RSUs vests after one year, a further one third after two years, and the remaining third after three years, subject to continuing employment as part of the sign-on agreement. All shares have been transferred and the program was completed in 2018.

In connection with an incentive program for a senior management employee in France, 7,834 RSUs have been granted. The criteria for the program has been met and 7,834 shares were transferred in February 2018.

Granted 2016
In January 2016, with the appointment of senior management employees in SimCorp Coric Ltd., 481 RSUs were granted as a sign-on incentive. The RSUs vest after three years, subject to continuing employment.

Granted 2017
During 2017, 3,778 RSUs were granted to employees in Denmark, Singapore, United Kingdom, and Italy as part of sign-on agreements and incentive programs. These vest during 2020 subject to continued employment.

Also in 2017, 23,830 RSUs were granted to the North American management team in order to strengthen retention. The RSUs will vest after three years subject to continued employment and certain performance conditions for revenue and EBIT growth in North America for the financial years 2017 to 2019. If the conditions are only partially satisfied, the number of shares transferred will be reduced.

The number of shares was not reduced compared with maximum under the program (2017: no reduction).

Granted 2018
During 2018, 11,982 RSUs were granted to employees in Denmark, France and Italy in order to strengthen retention. The RSUs will vest after three years subject to continued employment and certain performance conditions for the financial years 2018-2019. If the conditions are only partially satisfied the number of shares transferred will be reduced. The number of shares was not reduced compared with maximum under the program.

NOTES

7.1 SHARE-BASED REMUNERATION (CONTINUED)

OTHER INCENTIVE PROGRAMS – OTHER EMPLOYEES

Grant year	2014	2014	2015	2015	2016	2017	2017	2018	2018	2018	**Total**
RSUs at time of grant	27,094	15,000	7,971	7,843	481	3,778	23,830	6,382	2,640	2,960	
Program	Employees: senior UK, key Coric, senior North America	Senior employee North America	Senior employees North America	Senior employee France	Senior employee UK	Senior employees Denmark, Singapore, UK and Italy	Incentive North America	Sign-on and incentive	Incentive senior employee Denmark	Incentive Italiana	
Vesting period	2017	2019	2016/17/18	2018	2019	2020	2020	2021	2022	2022	
Fair value at time of grant (EURm)	0.7	0.3	0.2	0.2	0.0	0.2	1.2	0.3	0.2	0.2	3.5
Outstanding January 1, 2017	15,209	15,000	5,476	7,834	481	-	-	-	-	-	44,000
Granted	-	-	-	-	-	3,778	23,830	-	-	-	27,608
Vested	-15,209	-	-2,495	-	-	-	-	-	-	-	-17,704
Canceled	-	-	-484	-	-	-	-	-	-	-	-484
Outstanding January 1, 2018	-	15,000	2,497	7,834	481	3,778	23,830	-	-	-	53,420
Granted	-	-	-	-	-	-	-	6,382	2,640	2,960	11,982
Vested	-	-	-2,497	-7,834	-	-	-	-	-	-	-10,331
Performance adjustment	-	-3,214	-	-	-	-	-	-	-	-	-3,214
Canceled	-	-	-	-	-	-	-8,249	-1,004	-	-	-9,253
Outstanding December 31, 2018	-	11,786	-	-	481	3,778	15,581	5,378	2,640	2,960	42,604
Average remaining term (years)											
2018	-	0.17	-	-	0.17	1.17	1.17	2.67	3.17	3.17	
2017	-	1.17	0.17	0.17	1.17	2.17	2.17	-	-	-	
Charge to the income statement (EURm)											
2018	-	0.01	0.00	0.00	0.01	0.06	0.17	0.07	0.01	0.00	0.33
2017	0.03	0.02	0.02	0.06	0.01	0.04	0.34	-	-	-	0.52

NOTES

7.2 PENSION AND SIMILAR LIABILITIES

The Group has entered into pension and similar agreements with most employees. Obligations relating to defined-contribution plans are recognized in the income statement in the period in which they are earned, and payments due are recognized in the balance sheet under other payables.

For defined-benefit plans, the net present value is only calculated for those benefits earned to date by employees. The present value of future pension payments is estimated actuarially and shown net of the fair value of any plan assets in the balance sheet as pension obligations.

Differences between estimated pension assets and liabilities and their realized values are termed actuarial gains and losses. Actuarial gains and losses are recognized in the statement of other comprehensive income.

Changes in benefits earned to date are actuarially calculated and expensed immediately when the employees have already earned the right to the changed benefits. Otherwise, they are recognized in the income statement over the period during which the employees earn the right to the benefits.

Accounting estimates and judgments

For defined-benefit plans, annual actuarial calculations are made of the net present value of future benefits to be paid under the plan. The net present value is calculated based on assumptions of the future developments of salary, interest, inflation, and mortality rates. Assumptions are assessed at reporting date and changes in these assumptions may significantly affect the liabilities and pension cost under defined benefit plans.

The pension obligations of the Parent company and most foreign subsidiaries are covered by insurance (defined-contribution plans). For a few foreign subsidiaries, the pension obligations are not covered or only partly covered by insurance (defined benefit plans).

Under defined-benefit plans, the employer is obliged to pay a defined benefit (for example a fixed percentage of an employee's final salary) to the employee after retirement. Under a defined-benefit plan, the Group carries the risk in respect of future developments in interest rates, inflation, mortality, or disability.

PENSIONS AND SIMILAR LIABILITIES

EUR '000	2018	2017
Pension liabilities		
At January 1	10,594	8,532
Foreign exchange adjustment	225	-694
Addition of Belgian pension plan	-	2,733
Employee contributions	190	178
Expensed in the income statement	688	615
Calculated interest	120	98
Actuarial loss/(gain) change in financial assumptions	-503	-118
Actuarial loss/(gain) change in experience	-57	104
Payroll taxes	-48	-45
Benefits paid through pension assets	-118	-809
Present value of pension liabilities at December 31	11,091	10,594
Fair value of plan assets		
At January 1	7,911	5,808
Foreign exchange adjustment	151	-472
Addition of Belgian pension plan	-	2,409
Calculated interest	92	73
Return on plan assets in addition to calculated interest	-379	197
Employee contributions	244	230
Employer contributions	527	492
Benefits paid through pension assets	-118	-809
Other	-19	-17
Fair value of plan assets at December 31	8,409	7,911
Net liability included in the balance sheet	2,682	2,683

NOTES

7.2 PENSIONS AND SIMILAR LIABILITIES (CONTINUED)

As of 2017, the pension plan in Belgium has been included as a defined benefit-plan. New regulations were imposed on defined-contribution plans in Belgium, which require that they be treated as defined-benefit plans. The plan entitles employees to defined future benefits. These primarily depend on number of years of service, salary level at retirement age, and the size of the national pension.

The actuarial assessments of assets and liabilities in the Norwegian defined-benefit plan have been done by Storebrand Pensjonstjenester AS Norway).

For the Swiss defined-benefit plan, the actuarial assessments of assets and liabilities have been done by Allea Ltd (Switzerland).

For the Belgian defined-benefit plan, the actuarial assessments of assets and liabilities have been done by Willis Towers Watson (Belgium).

Sensitivity analysis

Significant actuarial assumptions for the determination of the pension benefit liability are discount rate and expected future remuneration increases. The sensitivity analysis below has been determined based on reasonable likely changes in assumptions occurring at the end of the period.

The analysis considers the single change shown in the table with all other assumptions assumed to remain unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case).

The Group expects to pay EUR 537 thousand to the defined-benefit pension plans in 2019 (2017: EUR 492 thousand for the year 2018).

For defined-contribution plans, the employer is obliged to pay a defined contribution (for example a fixed percentage of an employee's salary) to independent insurance companies.

For a defined-contribution plan, the Group runs no risk in respect of future developments in interest rates, inflation, mortality or disability.

ASSET ALLOCATION (LATEST AVAILABLE)

	Switzerland		Norway		Belgium	
	2018	2017	2018	2017	2018	2017
Shares	-	-	8.0%	13.0%	4.0%	4.0%
Bonds	-	-	76.0%	59.0%	86.0%	87.0%
Property	-	-	10.0%	14.0%	-	-
Other financial assets	-	-	6.0%	14.0%	10.0%	9.0%
Assets held at Allianz Suisse collective foundation	100.0%	100.0%	-	-	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

MOST IMPORTANT ASSUMPTIONS FOR ACTUARIAL CALCULATIONS

	Switzerland		Norway		Belgium	
	2018	2017	2018	2017	2018	2017
Discount rate	1.0%	0.7%	2.6%	2.3%	1.6%	1.3%
Future salary increases	1.5%	1.5%	2.8%	2.5%	-	-

SENSITIVITY ANALYSIS ON REPORTED PENSION LIABILITIES

	Switzerland		Norway		Belgium	
EUR '000	2018	2017	2018	2017	2018	2017
Discount rate +1%	-931	-891	-329	-373	-668	-632
Discount rate -1%	1,297	1,247	443	509	869	829
Future remuneration +1%	151	238	207	248	-	-
Future remuneration -1%	-134	-212	-179	-211	-	-

NOTES

7.3 OPERATING LEASES

Accounting policy

For operating leases, the lease payments are recognized in the income statement on a straight-line basis over the lease periods.

OPERATING LEASES COMMITMENTS

EUR '000	2018	2017
Rent commitments		
Payable within 1 year	7,992	10,976
Payable within 2 to 5 years	20,949	15,410
Payable after 5 years	21,616	5,488
Rent commitments until expiry of minimum term of tenancy	50,557	31,874
Other commitments		
Payable within 1 year	2,034	671
Payable within 2 to 5 years	8,808	879
Total other commitments	10,842	1,550
Total commitments		
Payable within 1 year	10,026	11,647
Payable within 2 to 5 years	29,757	16,289
Payable after 5 years	21,616	5,488
Total commitments	61,399	33,424

In 2018, EUR 10.6m (2017: EUR 10.3m) were charged to the income statement in relation to operating leases. The Group's other liabilities comprise operating leases for operating equipment, generally with a lease period of between two and five years.

In 2008, SimCorp moved its headquarters to Weidekampsgade 16, Copenhagen. The initial lease period was of ten years. In 2018, the lease has been renewed until April 30, 2029. The lease was entered on market terms and normal rent adjustment clauses. The extension increases commitments by EUR 30m.

All the Group's leases are with an option to extend the lease period and are made on market terms with normal rent adjustment clauses and no right of first refusal.

With the adoption of IFRS 16 in January 1, 2019, the above leases will be included as part of right-to-use assets in the balance sheet and a corresponding lease obligation under liabilities.

7.4 RELATED PARTY TRANSACTIONS

SimCorp's related parties exercising a significant influence comprise the company's Board of Directors and Executive Management Board as well as relatives of these persons. Related parties also comprise companies in which the individuals mentioned above have material interests.

The Group did not enter into any agreements, deals, or other transactions in 2018 in which the Parent company's Board of Directors or Executive Management Board had a financial interest, except for transactions following from the employment relationship. See Note 7.1 and Remuneration on pages 35-38.

Purchases of services from associates amounted in 2018 to EUR 0.9m compared with EUR 0.5m in 2017.

Key Management Personnel (cf. IAS 24) consists of the Board of Directors and the Executive Management Board. Remuneration to members of the Board of Directors and the Executive Management Board is disclosed on page 36 and on page 38.

Members of the Board of Directors are elected by the shareholders at the Annual General Meeting for terms of one year. Members of the Board of Directors elected by the employees are elected among all SimCorp Group employees every third year. Election was held in March 2016, the next election will be held in March 2019. Refer to pages 43-45 for additional information on Board of Directors members.

NOTES

7.4 RELATED PARTY TRANSACTIONS (CONTINUED)

INTERESTS IN THE COMPANY OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT BOARD

Number of shares	2018	2017
Shareholdings, Board of Directors:		
Jesper Brandgaard	88,749	87,851
Peter Schütze	10,987	10,457
Herve Couturier	8,640	8,273
Simon Jeffreys	11,087	10,597
Adam Warby	326	-
Morten Hübbe[1]	2,300	-
Else Braathen	6,609	5,888
Vera Bergforth	1,570	1,203
Ulrik Elstrup Hansen	547	1,769
Board of Directors, total	130,815	126,038
Shareholdings, Executive Management Board:		
Klaus Holse	78,573	72,201
Georg Hetrodt	115,782	115,782
Michael Rosenvold	5,977	5,977
Executive Management Board, total	200,332	193,960
Total shareholdings by members of the Board of Directors and the Executive Management Board	331,147	319,998

[1] Appointed on May 9, 2018.

Number of restricted stock units	2018	2017
Restricted stock units, Board of Directors:		
Else Braathen	842	762
Ulrik Elstrup Hansen	527	415
Board of Directors, total	1,369	1,177
Restricted stock units, Executive Management Board:		
Klaus Holse	50,249	36,072
Georg Hetrodt	22,704	18,975
Michael Rosenvold	19,371	12,883
Executive Management Board, total	92,324	67,930
Total restricted stock units granted to members of the Board of Directors and the Executive Management Board	93,693	69,107

NOTES

7.5 AUDITORS' REMUNERATION

Audit fees include the audit of the consolidated and local financial statements as well as services related to the audit of the adoption and interpretation of IFRS 9 as well as continued support regarding IFRS 15.

FEES TO INDEPENDENT AUDITORS

EUR '000	2018	2017
Audit fees	346	422
Other service with assurance fees	-	17
Tax and VAT advice fees	41	47
Other service fees	45	109
Total auditors' remuneration	432	595

Tax fees relate primarily to assistance with transfer pricing audits in Canada and APA filing in Germany.

In 2017, other service fees include due diligence services regarding the acquisition of A.P.L Italiana S.p.A.

7.6 DEPOSITS

Deposits are primarily related to the leasing of offices.

Accounting policy

Security deposits which will not be returned within one year of the balance sheet date are recognized as non-current assets. Commitment which require a deposit will initially be recorded to the deposit asset account. If the deposit is not recovered, it is charged to the income statement.

DEPOSITS

EUR '000	2018	2017
Cost at January 1	1,995	1,890
Foreign exchange adjustment	2	-29
Additions	45	123
Addition on acquisition of subsidiaries	-	115
Disposals*	-59	-104
Carrying amount at December 31	1,983	1,995

* Disposals include reclassifications to current receivables.

NOTES

7.7 CONTINGENT LIABILITIES

The Group is party to legal proceedings and inquiries from authorities when investigating various issues. The outcome of such is not expected to have a significant effect on profit for the year and the assessment of the Group's financial position.

The most significant contingent liability relates to SimCorp A/S and is the so called "ATP-ruling" related to possible VAT exemption for certain pension services.

On March 13, 2014, the Court of Justice of the European Union ("ECJ") published its judgment in the case C-464/12 ATP PensionService A/S determining that services provided to certain pension funds may be covered by the VAT exemption in section 13, subsection 1, no. 11, litra c and f of the Danish VAT Act.

As a consequence of the ECJ ruling, a number of SimCorp's Danish clients have filed a claim against SimCorp for recovery of the VAT levied on SimCorp's products and services. Pursuant to the Danish Tax Administration Act, SimCorp has claimed a refund from the Danish Tax Authorities ("SKAT") of the VAT collected on services provided to its Danish clients. SKAT has not yet replied to this claim for a refund. However, in August 2016 SimCorp received a so-called "binding ruling" from the Danish Tax Council and in this binding ruling the Danish Tax Council concluded that SimCorp's products and services are subject to VAT.

On this basis, SimCorp does not expect the above ruling from the ECJ to significantly have an effect on profit for the year and the assessment of the Group's financial position and accordingly, SimCorp has not made a provision for this in its annual accounts 2018.

7.8 EVENTS AFTER BALANCE SHEET DATE

No material events have occurred after December 31, 2018, that have consequences for annual report 2018.

7.9 ADJUSTMENTS, CASH FLOW

This note provides details to cash flow statement reported on page 55.

ADJUSTMENTS, CASH FLOW

EUR '000	2018	2017
Depreciation	5,923	3,957
Share of profit after tax in associates	-88	-51
Financial income	-4,694	-3,425
Financial expenses	5,591	4,680
Tax on profit for the year	25,565	21,193
Adjustment share based remuneration	9,305	7,551
Other included in operating income	73	-
Total adjustments, cash flow	41,675	33,905

7.10 SEGMENT INFORMATION RECONCILIATION OF PROFIT BEFORE TAX

This note provides a reconciliation to reported segment profit from operations in Note 2.2 Segment and other revenue information.

RECONCILIATION OF THE PROFIT BEFORE TAX

EUR '000	2018	2017
Total segment profit reported (EBIT)	103,345	88,894
Share of profit after tax in associates	88	51
Financial income	4,694	3,425
Financial expenses	-5,591	-4,680
Profit before tax	102,536	87,690

NOTES

7.11 SUBSIDIARIES

Group's subsidiaries are at December 31, 2018:

SUBSIDIARIES

NAME	Registered office	Ownership interest in 2018	Ownership interest in 2017	Share capital	
SimCorp Ltd.	London, United Kingdom	100%	100%	100,000	GBP
SimCorp GmbH	Bad Homburg, Germany	100%	100%	102,258	EUR
SimCorp Österreich GmbH	Vienna, Austria	100%	100%	17,500	EUR
SimCorp Norge AS	Oslo, Norway	100%	100%	1,000,000	NOK
SimCorp Sverige AB	Stockholm, Sweden	100%	100%	100,000	SEK
SimCorp Benelux SA/NV	Brussels, Belgium	100%	100%	62,000	EUR
SimCorp USA Inc.	New York, USA	100%	100%	7,010,000	USD
SimCorp Schweiz AG	Zurich, Switzerland	100%	100%	100,000	CHF
SimCorp Asia Pty. Ltd.	Sydney, Australia	100%	100%	999,992	AUD
SimCorp Singapore Pte. Ltd.	Singapore, Singapore	100%	100%	1	SGD
SimCorp Ukraine LLC	Kiev, Ukraine	100%	100%	2,968,254	UAH
SimCorp Canada Inc.	Vancouver, Canada	100%	100%	8,500,001	CAD
SimCorp France S.A.S	Paris, France	100%	100%	500,000	EUR
SimCorp Hong Kong Ltd.	Hong Kong, China	100%	100%	14,000,002	HKD
SimCorp Luxembourg S.A.	Luxembourg, Luxembourg	100%	100%	31,000	EUR
SimCorp Coric Ltd.	Wolverhampton, United Kingdom	100%	100%	120	GBP
SimCorp Iberia S.L.	Barcelona, Spain	100%	100%	3,000	EUR
SimCorp Italiana S.p.A.	Milan, Italy	100%	100%	2,100,000	EUR
SimCorp Sp z.o.o.	Warsaw, Poland	100%	-	5,000	PLN

SimCorp Benelux SA/NV has branches in the Netherlands, Luxembourg and France.
SimCorp Ltd. has a branch in the United Arab Emirates and in Azerbaijan.
SimCorp Sverige AB has a branch in Finland.
SimCorp USA Inc. has a branch in Canada.
SimCorp Coric Ltd. has a 100% owned subsidiary in the USA, SimCorp Coric Inc.
SimCorp Italiana S.p.A. has a 100% owned subsidiary in France, APL Ville S.r.l. and a 100% owned subsidiary in Italy, Sofia Online S.r.l.
SimCorp Singapore has a 100% owned branch in Thailand.

FINANCIAL STATEMENTS OF SIMCORP A/S

CONTENTS

FINANCIAL STATEMENTS OF SIMCORP A/S

INCOME STATEMENT

EUR '000	Note	2018	2017
Revenue	2.1, 2.2	198,661	174,480
Cost of sales	2.3	67,302	56,303
Gross profit		131,359	118,177
Other operating income		29,154	25,742
Research and development costs	2.3	46,781	45,969
Sales and marketing costs	2.3	11,420	9,067
Administrative expenses	2.3, 7.3	25,256	23,680
Operating profit (EBIT)		77,056	65,203
Financial income	6.2	20,642	14,526
Financial expenses	6.2	4,606	3,769
Profit before tax		93,092	75,960
Tax on the profit for the year	3.1	18,437	15,535
Profit for the year		74,655	60,425

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2018	2017
Profit for the year	74,655	60,425
Other comprehensive income		
Items that may be reclassified subsequently to the income statement, when specific conditions are met:		
Foreign currency translation differences for foreign operations	-399	-148
Other comprehensive income after tax	-399	-148
Total comprehensive income	74,256	60,277
Proposed distribution		
Dividends	35,934	34,570
Transferred to retained earnings	38,322	25,707
	74,256	60,277

FINANCIAL STATEMENTS OF SIMCORP A/S

CASH FLOW STATEMENT

EUR '000	Note	2018	2017
Profit for the year		74,655	60,425
Adjustments for non-cash operating items	7.4	14,406	14,045
Changes in contract assets		-1,730	716
Changes in working capital		-8,038	-26,101
Cash from operating activities before financial items		79,293	49,085
Financial income received		681	530
Financial expenses paid		-503	-314
Income tax paid	3.1	-14,504	-10,549
Net cash from operating activities		64,967	38,752
Deferred payment, purchase of subsidiaries		-	-2,931
Investment in subsidiaries, net	4.3	-208	-28,195
Proceeds from sale of share of associates		143	-
Purchase of intangible fixed assets	4.1	-112	-1,362
Purchase of property, plant, and equipment	4.1	-1,355	-486
Purchase of financial assets	7.4	-13	-37
Proceeds from sale of financial assets	7.4	-	29
Dividends from associates	6.2	22	86
Dividends from subsidiaries	6.2	15,791	11,572
Net cash used in investing activities		14,268	-21,324
Net cash from operating and investing activities		79,235	17,428
Dividends paid		-34,444	-33,235
Purchase of treasury shares		-	-25,059
Proceeds, loans	6.1	-	30,000
Repayments, loans	6.1	-30,000	-
Net cash used in financing activities		-64,444	-28,294
Change in cash and cash equivalents		14,791	-10,866
Cash and cash equivalents at January 1		8,865	19,703
Foreign exchange adjustment of cash and cash equivalents		27	28
Cash and cash equivalents at December 31		23,683	8,865

FINANCIAL STATEMENTS OF SIMCORP A/S

BALANCE SHEET DECEMBER 31

EUR '000	Note	2018	2017
ASSETS			
Intangible assets	4.1		
Software		431	2,354
Total intangible assets		431	2,354
Leasehold improvements		612	248
Technical equipment		854	713
Other equipment, fixtures, fittings and prepayments		8	12
Total property, plant, and equipment		1,474	973
Investments in subsidiaries	4.2	75,102	75,119
Investments in associates	4.2	157	161
Deposits	7.4	1,569	1,561
Total other non-current assets		76,828	76,841
Total non-current assets		78,733	80,168
Receivables	5.1	92,918	76,379
Contract assets	5.2	6,235	4,505
Prepayments		3,132	3,045
Cash and cash equivalents		23,683	8,865
Total current assets		125,968	92,794
Total assets		204,701	172,962

EUR '000	Note	2018	2017
LIABILITIES AND EQUITY			
Share capital		5,441	5,467
Share premium		9,963	9,963
Retained earnings		102,139	53,617
Proposed dividends		35,934	34,570
Total equity		153,477	103,617
Deferred tax	3.2	7,753	3,929
Provisions	4.3	1,811	1,668
Total non-current liabilities		9,564	5,597
Bank loan	6.1	-	30,000
Prepayments from clients	5.2	1,649	258
Trade payables and other payables	5.3	38,974	31,822
Income tax payables	3.3	997	1,668
Provisions	4.3	40	-
Total current liabilities		41,660	63,748
Total liabilities		51,224	69,345
Total liabilities and equity		204,701	172,962

FINANCIAL STATEMENTS OF SIMCORP A/S

STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Retained earnings	Proposed dividends for the year	Total
2018					
Equity at January 1	5,467	9,963	53,617	34,570	103,617
Net profit for the year	-	-	74,655	-	74,655
Total other comprehensive income	-	-	-399	-	-399
Total comprehensive income for the year	-	-	74,256	-	74,256
Transactions with owners					
Cancellation of treasury shares	-26	-	26		-
Dividends paid to shareholders	-	-	126	-34,570	-34,444
Share-based payment	-	-	9,305	-	9,305
Tax, share-based payment	-	-	743	-	743
Proposed dividends to shareholders	-	-	-35,934	35,934	-
Equity at December 31	5,441	9,963	102,139	35,934	153,477
2017					
Equity at January 1 as previously reported	5,575	-	37,070	33,341	75,986
Adjustment related to IFRS 15	-	-	10,001	-	10,001
Tax, adjustment related to IFRS 15	-	-	-2,200	-	-2,200
Adjusted balance at January 1	5,575	-	44,871	33,341	83,787
Net profit for the year	-	-	60,425	-	60,425
Total other comprehensive income	-	-	-148	-	-148
Total comprehensive income for the year	-	-	60,277	-	60,277
Transactions with owners					
Issue of shares	26	9,963	-	-	9,989
Cancellation of treasury shares	-134	-	134	-	-
Dividends paid to shareholders	-	-	106	-33,341	-33,235
Share-based payment	-	-	7,551	-	7,551
Tax, share-based payment	-	-	307	-	307
Purchase of treasury shares	-	-	-25,059	-	-25,059
Proposed dividends to shareholders	-	-	-34,570	34,570	-
Equity at December 31	5,467	9,963	53,617	34,570	103,617

NOTES

SECTION 1
BASIS OF PREPARATION

1.1 ACCOUNTING POLICIES, ESTIMATES, AND JUDGMENTS

General
SimCorp A/S is a public limited company based in Denmark. The Annual Report for the period January 1 – December 31, 2018 includes the financial statements of SimCorp A/S, the Parent company.

Statement of compliance
SimCorp A/S financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and additional requirements in the Danish Financial Statements Act.

The financial statements are presented in EUR, which is the reporting currency of the activities of the Parent, rounded to the nearest EUR 1,000. The functional currency of the Parent company SimCorp A/S is DKK.

Except for the changes implemented due to the adoption of IFRS 9 Financial Instruments, accounting policies are unchanged from last year. Following the adoption of the new standard, accounting policies have been updated. Comparative figures have not been restated.

SimCorp A/S early adopted IFRS 15 with initial application as of January 1, 2017.

The accounting policies are the same as for the consolidated financial statements, with exceptions described below. For a description of the accounting policies of the Group, please refer to the consolidated financial statements.

Except for the changes related to the adoption of IFRS 9 Financial Instruments, the Parent has consistently applied the accounting policies to all periods presented in these statements.

Foreign currency translation
Foreign exchange adjustments of intra-group accounts are recognized in the income statement in SimCorp A/S' financial statements. Foreign exchange adjustments of intra-group accounts between SimCorp A/S and subsidiaries are considered part of the net investment in the subsidiaries concerned. Settlement of intra-group balances considered part of the net investment are not, per se, considered a partial divestment of a subsidiary.

Financial assets
Investments in subsidiaries and associates are measured at cost in the Parent company's financial statements.

Dividends
Dividends on investments in subsidiaries and associates are recognized in the Parent company's income statement in the financial year in which the dividends is declared.

Other operating income
Other operating income comprises income of a secondary nature relative to the activities of the Parent, including gains on the sale of intangible assets and property, plant, and equipment and invoicing to subsidiaries of delivered services.

Risk
For information on risk refer to note 6.2 of the consolidated financial statements and overview of risk factors in "Risk management", pages 28-30.

New financial reporting standards not yet adopted
IFRS 16 Leases becomes effective January 1, 2019. All leases must be recognized in the balance sheet with a corresponding lease liability, except for short-term assets and minor assets.

In line with the Group, the Parent plans to apply the standard using the modified retrospective approach with optional practical expedients initially on January 1, 2019.

The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The estimated impact of adoption is based on assessments undertaken to date. The impact on the financial position as at January 1, 2019 is expected to be as follows:

ADOPTION OF IFRS 16

EUR '000	January 1, 2019
Right of use assets	
Land and buildings	27.9
Other right of use assets	1.6
Total assets increase	29.5
Liabilities increase	
Current liabilities	3.2
Non-current liabilities	26.3
Total liabilities increase	29.5

The estimated impact of the adoptions as at January 1, 2019 may be subject to change until the group presents its first financial statements under the new standard (Q1 2019).

The impact on the income statement in 2019 is estimated to be a reduction in rental costs of EUR 3.5m and an increase in amortization of EUR 3.6m. Hence no material impact on EBIT in 2019. Impact on interest expenses is expected to be around EUR 0.3m.

NOTES

SECTION 2
REVENUE AND EARNINGS

2.1 REVENUE

EUR '000	2018	2017
Licenses - new sales	23,115	11,447
Licenses - additional sales	34,178	35,998
Software updates and support	106,228	98,528
Professional services	28,314	24,421
ASP hosting and training fees	6,826	4,086
Total revenue	198,661	174,480

NOTES

2.2 FUTURE PERFORMANCE OBLIGATIONS

This table depicts revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

For accounting policies, estimates and judgments please refer to the consolidated financial statements Note 2.3.

FUTURE PERFORMANCE OBLIGATIONS

EUR '000	2018	2017
Aggregated amount allocated to contracts to be satisfied in the future	21,431	19,816

Management expects that EUR 8.7m (2017: EUR 9.5m) of the amount allocated to the future contract obligations as of December 31, 2018 will be recognized during 2019. EUR 12.8m (2017: EUR 10.3m) is expected to be recognized as revenue within 2 to 5 years.

Unsatisfied performance obligations include: license agreements where there is a requirement for client acceptance of functionality as well as performance obligations satisfied overtime (software updates and support agreements) in addition to professional service fees from fixed fee multi-year contracts that are recognized as and when the work has been performed.

Considerations from contracts with clients are included in the amounts presented above except for rolling software updates and support agreements with cancellations periods of 12 months or less and time and material services agreements.

2.3 EMPLOYEE COSTS

EMPLOYEE COSTS

EUR '000	2018	2017
Salaries	60,400	55,857
Defined contribution pension plans	1,482	1,425
Share-based payments	7,163	6,166
Social security costs	152	149
Total employee cost	69,197	63,597
Number of employees at the end of the period	525	501
Average number of employees	490	481

Remuneration of the Executive Management Board and Board of Directors is given on page 70 of the annual report. For additional disclosures on share-based remuneration refer to note 7.1 of the consolidated financial statements.

NOTES

SECTION 3
TAX

SimCorp A/S' Income taxes amount to EUR 18.4m relative to EUR 15.5m in 2017. Income tax has increased due to a higher profit compared with 2017.

SimCorp A/S' effective tax rate has decreased from 20.5% to 19.8% primarily due to increased dividends received.

The Danish corporate tax rate was 22% in 2018 unchanged from 2017.

Deferred tax has increased from EUR 3.9m in 2017 to EUR 7.8m in 2018, which mainly relates to increase in deferred tax on contract assets partly offset by increase in deferred tax on current liabilities.

For accounting policies, estimates, and judgments, please refer to Section 3 of the consolidated financial statements.

3.1 INCOME TAX

INCOME TAX

EUR '000	2018	2017
Tax for the year:		
Tax on profit	18,437	15,535
Total tax	18,437	15,535
Tax on profit for the year breaks down as follows:		
Current tax	14,247	12,002
Deferred tax	4,353	3,706
Prior-year adjustments	-163	-173
Total tax on profit for the year	18,437	15,535
Tax paid during the year	14,504	10,549
Tax on profit for the year breaks down as follows:		
Tax calculated on the year's pre-tax profit, 22% (2017: 22%)	20,480	16,711
Dividends from subsidiaries and associates	-3,478	-2,565
Tax effect:		
Non-taxable income	-1,203	-1,390
Non-deductible expenses	1,071	888
Other, including prior-year adjustments	1,567	1,891
Total tax on profit for the year	18,437	15,535
Effective tax rate	19.8%	20.5%

NOTES

3.2 DEFERRED TAX

DEFERRED TAX

EUR '000	2018	2017
Net deferred tax (liability)/asset at January 1	-3,929	2,455
Foreign exchange adjustment	16	1
Deferred tax, profit and loss	-4,353	-3,706
Prior-year adjustment, profit and loss	365	28
Adjustment of deferred tax, equity	148	-2,707
Net deferred tax (liability)/asset at December 31	-7,753	-3,929
Recognized in the balance sheet as follows:		
Deferred tax liabilities	-7,753	-3,929
Net deferred tax (liability)/asset at December 31	-7,753	-3,929

DEFERRED TAX

		Recognized in:			
EUR '000	Balance January 1	Foreign exchange adjustment	Profit and loss	Equity	Balance December 31
2018					
Intangible assets	-518	1	422	-	-95
Property, plant, and equipment	522	-2	-121	-	399
Contract assets	-5,864	17	-5,526	-	-11,373
Provisions	367	5	27	-	399
Current liabilities	-84	-	904	-	820
Share-based payment	1,648	-5	306	148	2,097
Total	-3,929	16	-3,988	148	-7,753
2017					
Intangible assets	-376	1	-143	-	-518
Property, plant, and equipment	565	-1	-42	-	522
Contract assets	-	1	-3,665	-2,200	-5,864
Provisions	335	3	29	-	367
Current liabilities	53	-	-137	-	-84
Share-based payment	1,878	-3	280	-507	1,648
Total	2,455	1	-3,678	-2,707	-3,929

NOTES

3.3 INCOME TAX PAYABLES

INCOME TAX PAYABLES

EUR '000	2018	2017
Net income tax (payable)/receivable at January 1	-1,668	-1,182
Foreign exchange adjustment	21	8
Prior-year adjustments	-202	145
Current tax on profit for the year	-14,247	-12,002
Current tax on equity	595	814
Income tax paid	14,504	10,549
Net income tax (payable) / receivable at December 31	-997	-1,668
Recognized in the balance sheet as follows:		
Income tax payable	-997	-1,668
Net income tax (payable) / receivable at December 31	-997	-1,668

NOTES

SECTION 4
INVESTED CAPITAL

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

AMORTIZATION AND DEPRECIATION

	2018			2017		
EUR '000	Intangible	Property, plant, and equipment	Total	Intangible	Property, plant, and equipment	Total
Cost of sales	1,956	160	2,116	546	189	735
Research and development costs	46	438	484	106	514	620
Sales and marketing costs	6	53	59	12	60	72
Administrative expenses	22	201	223	49	240	289
Total amortization and depreciation	2,030	852	2,882	713	1,003	1,716

NOTES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

EUR '000	Software	Intangible assets total	Leasehold improvement	Technical equipment	Other equipment, fixtures, fittings, and prepayments	Property, plant, and equipment total
2018						
Cost at January 1	10,470	10,470	3,612	6,687	3,296	13,595
Foreign exchange adjustment	-31	-31	-11	-20	-10	-41
Additions	112	112	612	743	-	1,355
Disposals	-	-	-468	-279	-	-747
Cost at December 31	10,551	10,551	3,745	7,131	3,286	14,162
Depreciation at January 1	8,116	8,116	3,364	5,974	3,284	12,622
Foreign exchange adjustment	-26	-26	-11	-18	-10	-39
Depreciation	2,030	2,030	248	600	4	852
Disposals	-	-	-468	-279	-	-747
Depreciation at December 31	10,120	10,120	3,133	6,277	3,278	12,688
Carrying amount at December 31	431	431	612	854	8	1,474
2017						
Cost at January 1	9,121	9,121	3,617	6,636	3,301	13,554
Foreign exchange adjustment	-13	-13	-5	-9	-5	-19
Additions	1,362	1,362	-	486	-	486
Disposals	-	-	-	-426	-	-426
Cost at December 31	10,470	10,470	3,612	6,687	3,296	13,595
Depreciation at January 1	7,413	7,413	3,054	5,722	3,286	12,062
Foreign exchange adjustment	-10	-10	-4	-8	-5	-17
Depreciation	713	713	314	686	3	1,003
Disposals	-	-	-	-426	-	-426
Depreciation at December 31	8,116	8,116	3,364	5,974	3,284	12,622
Carrying amount at December 31	2,354	2,354	248	713	12	973
Depreciation period	Up to 10 years		Up to 10 years	3 years	5 years	

Estimates for intangible assets and for property, plant and equipment are unchanged from previous reports.

NOTES

4.2 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Parent accounts for its investments in subsidiaries and associates at cost.

INVESTMENT IN ASSOCIATES

EUR '000	2018	2017
Cost at January 1	161	162
Foreign exchange adjustment	-	-1
Disposals	-4	-
Cost at December 31	157	161

INVESTMENTS IN SUBSIDIARIES

EUR '000	2018	2017
Cost at January 1	75,119	36,996
Foreign exchange adjustment	-225	-51
Additions	218	38,174
Disposal	-10	-
Cost at December 31	75,102	75,119
Dividends received	15,791	11,572

Please refer to Note 7.11 in the consolidated financial statements for a list of subsidiaries and Note 4.2 in the consolidated financial statements for a list of associates.

4.3 PROVISIONS

PROVISIONS

EUR '000	Re-establishment costs for rented premises	Anniversary bonuses	Total
2018			
Liability at January 1	673	995	1,668
Foreign exchange adjustment	-2	-3	-5
Reversal of unused liabilities	-671	-55	-726
Provisions for the year	612	302	914
Total provisions	612	1,239	1,851
Expected due dates for provisions:			
Falling due within 1 year	-	40	40
Falling due within 2 to 5 years	-	423	423
Falling due after 5 years	612	776	1,388
Total provisions	612	1,239	1,851
2017			
Liability at January 1	648	883	1,531
Foreign exchange adjustment	-1	-1	-2
Used during the year	-	-8	-8
Reversal of unused liabilities	-	-38	-38
Provisions for the year	26	159	185
Total provisions	673	995	1,668
Expected due dates for provisions:			
Falling due within 2 to 5 years	673	295	968
Falling due after 5 years	-	700	700
Total provisions	673	995	1,668

Provisions cover the costs of restoring leasehold premises and provisions for anniversary bonuses. The latter resulting from the Company's commitment of one month's pay in connection with employees' 25th and 40th anniversaries.

Reversals in 2018 relate to re-establishment cost linked to the in the Parent company's lease agreement as the negotiated extension includes obligations for the owner to refurbish the office, thus allowing for the provision to be reversed. Additions to provisions for the year reflect the new provision added in connection to the Parent's new office lease.

NOTES

SECTION 5
NET WORKING CAPITAL AND CONTRACT BALANCES

5.1 RECEIVABLES

Accounting policy

When estimating expected credit loss on receivables from subsidiaries, the three-stage approach is applied while making use of the exception for low credit risk financial assets. An expected loss rate of 0.04%-0.12% is applied, based on corporate investment grade 1-year average default rates by region as published by Standard & Poor.

RECEIVABLES

EUR '000	2018	2017
Trade receivables from clients	5,746	3,929
Accrued revenue	5,210	6,634
Loss allowance	-6	-
Receivables from subsidiaries	81,086	63,717
Derivative financial instruments	-	776
Other receivables	882	1,323
Total receivables at December 31	92,918	76,379
The aging of trade receivables from clients was at December 31:		
Not due	5,353	3,050
Overdue between 1 and 30 days	199	670
Overdue between 30 and 90 days	158	190
Overdue over 90 days	36	19
Total trade receivables from clients	5,746	3,929

Accrued revenue consists mainly of revenue from the sale of software licenses and receivables from professional services contracts in progress.

Loss allowance arises from the adoption of IFRS 9, for additional information refer to notes 5.1 and 6.2 in the consolidated financial statements.

No security has been received with respect to trade receivables.

No write-down has been made in 2018 and 2017 for trade receivables.

NOTES

5.2 CONTRACT BALANCES

Contract assets primarily relate to the Company's rights to consideration for software licensed to clients under subscription or fixed term agreements which include payments in the future, subsequent to revenue recognition.

Contract liabilities represent mainly prepayments from clients for unsatisfied or partially satisfied performance obligations in relation to licenses, software updates and support, and services. Software updates and support and ASP billing generally occur at periodic intervals (e.g. quarterly or yearly) prior to revenue recognition, resulting in contract liabilities.

The majority of licenses agreements is revenue recognized in the year of sale. However, contracts with functionality gaps or acceptance criteria may have revenue recognition deferred, resulting in a contract liability when billing has occurred.

Contracts in progress relating to fixed fee professional services are measured at the estimated sales value of the proportion of the contract completed at the balance sheet date. Amounts invoiced on account in excess of work completed are included in prepayments under current liabilities.

Significant changes in contract assets and liabilities during the period are presented below.

CHANGES IN CONTRACT ASSETS

EUR '000	Opening balance/ IFRS 15 adoption adjustment	Net additions	Invoiced from opening balance/ IFRS 15 adjustment	Adjustments[1]	Closing balance
2018					
Contract asset (gross)	4,505	2,843	-1,122	28	6,254
Loss allowance[2]	-	-19	-	-	-19
Contract asset (NPV)	4,505	2,824	-1,122	28	6,235
2017					
Contract asset	3,794	1,148	-432	-5	4,505
Contract asset (NPV)	3,794	1,148	-432	-5	4,505

[1] Adjustments include: reclassifications, foreign exchange adjustments, cumulative catch-up adjustments (including those arising from change in measurement of progress, change in estimate of transaction price and contract modifications), change in time frame for a right to consideration to become unconditional or for a performance obligation to be satisfied.

[2] Loss allowance arises from the adoption of IFRS 9.

INVOICING OF CONTRACT ASSETS

EUR '000	2018	2017
1 to 6 months	1,402	900
7 to 12 months	87	5
13 to 24 months	1,504	905
25 to 36 months	1,437	870
37 to 48 months	1,373	867
49 to 60 months	451	867
After 60 months	-	91
Total contract assets (gross)	6,254	4,505

The table indicates when the balance in contract assets with clients, gross of interest and expected loss allowance, is expected to be invoiced.

NOTES

5.2 CONTRACT BALANCES (CONTINUED)

CHANGES IN CONTRACT LIABILITIES

EUR '000	Opening balance	IFRS 15 adoption adjustment	Net additions	Revenue recognized from liability opening balance	Adjustments[1]	Closing balance
2018						
Contract liabilities-licenses	34	-	1,008	-34	-	1,008
Contract libilities-software updates and support	27	-	43	-27	-	43
Contract liabilities-services	87	-	490	-87	-	490
Contract liabilities-other	110	-	108	-110	-	108
Total liabilities (pre-payments from clients)	258	-	1,649	-258	-	1,649
2017						
Contract liabilities-licenses	3	-2	34	-	-1	34
Contract libilities-software updates and support	-	-	25	-	2	27
Contract liabilities-services	39	-	87	-39	-	87
Contract liabilities-other	42	-	108	-42	2	110
Total liabilities (pre-payments from clients)	84	-2	254	-81	3	258

[1] Adjustments include: reclassifications, foreign exchange adjustments, cumulative catch-up adjustments (including those arising from change in measurement of progress, change in estimate of transaction price and contract modifications), change in time frame for a right to consideration to become unconditional or for a performance obligation to be satisfied.

5.3 TRADE PAYABLES AND OTHER PAYABLES

TRADE PAYABLES AND OTHER PAYABLES

EUR '000	2018	2017
Trade payables	9,419	5,702
Debt to subsidiaries	14,078	13,133
Accrued vacation payables	9,094	8,584
Bonus and commissions payables	6,283	4,309
Payroll taxes, VAT etc., payables	100	94
Total trade payables and other payables	38,974	31,822

NOTES

SECTION 6
CAPITAL STRUCTURE AND FINANCING ITEMS

6.1 FINANCIAL ASSETS AND LIABILITIES

The parent's financial assets and liabilities are classified as follows:

FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

EUR '000	Measured at amortized cost	Measured at cost	Fair value through income statement	Carrying amount
2018				
Investments in subsidiaries	-	75,102	-	75.102
Investments in associates	-	157	-	157
Deposits	1,569	-	-	1,569
Non-current financial assets	1,569	75,259	-	76,828
Receivables	92,918	-	-	92,918
Cash and cash equivalents	23,683	-	-	23,683
Current financial assets	116,601	-	-	116,601
Trade payables and other payables	38,974	-	-	38,974
Current financial liabilities	38,974	-	-	38,974
2017				
Investments in subsidiaries	-	75,119	-	75,119
Investments in associates	-	161	-	161
Deposits	1,561	-	-	1,561
Non-current financial assets	1,561	75,280	-	76,841
Receivables	75,603	-	776	76,379
Cash and cash equivalents	8,865	-	-	8,865
Current financial assets	84,468	-	776	85,244
Bank loan	30,000	-	-	30,000
Trade payables and other payables	31,822	-	-	31,822
Current financial liabilities	61,822	-	-	61,822

In 2017, SimCorp obtained a EUR 30m loan for the acquisition of A.P.L. Italiana S.p.A. For 2018, cash flows during the year comprise loan repayment of EUR 30m.

For additional information on financial risk refer to note 6.2 in the consolidated financial statements.

6.2 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME AND EXPENSES

EUR '000	2018	2017
Financial income		
Interest income, subsidiaries	656	365
Interest income, cash etc.	25	3
Interest income	681	368
Dividends from subsidiaries	15,791	11,572
Dividends from associates	22	86
Fair value adjustments, derivatives	-	827
Foreign exchange gains	723	162
Foreign exchange adjustments	3,425	1,511
Financial income – other	19,961	14,158
Total financial income	20,642	14,526
Financial expenses		
Interest expenses, subsidiaries	151	124
Interest expenses, financial assets carried at amortized cost	271	-
Interest expenses, deferred payment acquisition	-	2
Other financial expenses	81	216
Fair value adjustments, derivatives	767	-
Foreign exchange adjustments	3,336	3,427
Total financial expenses	4,606	3,769

NOTES

SECTION 7
OTHER DISCLOSURES

7.1 OPERATING LEASES

Amounts of EUR 4.1m (2017: EUR 4.2m) relating to operating leases have been recognized in the income statement for 2018 in the Company.

In November 2008, SimCorp moved into the headquarters at Weidekampsgade 16, Copenhagen, the initial lease was for a period of ten years. In 2018, the agreement has been renewed, until April 30, 2029. The lease has been entered on market terms and with normal rent adjustment clauses. The extension increases lease commitments by EUR 30m.

With the adoption of IFRS 16 in January 1, 2019, the above leases will be included as part of right-to-use assets in the balance sheet and a corresponding lease obligation under liabilities. Refer to note 1 (page 117).

OPERATING LEASES

EUR '000	2018	2017
Operating leases		
Payable within 1 year	2,825	5,407
Payable within 2 to 5 years	11,849	2,832
Payable after 5 years	15,358	-
Rent commitments until expiry of minimum term of tenancy	30,032	8,239
Other commitments		
Payable within 1 year	1,520	128
Payable within 2 to 5 years	8,051	60
Total other commitments	9,571	188
Payable within 1 year	4,345	5,535
Payable within 2 to 5 years	19,900	2,892
Payable after 5 years	15,358	-
Total commitments	39,603	8,427

7.2 RELATED PARTY TRANSACTIONS

For the Parent company, in addition to transactions with other related parties depicted in note 7.4 of the consolidated financial statements, related parties also comprise subsidiaries and associates in which SimCorp A/S has a controlling or significant influence.

TRADING WITH SUBSIDIARIES AND ASSOCIATES

EUR '000	2018	2017
Purchases of services from subsidiaries	41,370	37,054
Purchases of services from associates	578	412
Sale of services to subsidiaries and associates	187,605	167,227

The Parent company's outstanding balance with subsidiaries is specified in Notes 5.1 and 5.3.

Balances with subsidiaries and associates comprise ordinary trade balances relating to the purchase and sale of services. Outstanding balances carry interest and are subject to terms and conditions identical to those made with the Parent company's and the Group's clients and suppliers.

Trading with subsidiaries and associates is conducted on arm's length terms. Ownership interests are shown in Notes 4.2 and 7.11 of the consolidated financial statements.

Interest on outstanding balances with subsidiaries and associates is specified in note 6.2 in the financial statements of the Parent company. In 2018, the Parent company has received dividends of EUR 15.8m (2017: EUR 11.6m) from subsidiaries and EUR 0.02m dividends were received from associates (2017: EUR 0.1m).

The Parent company has provided delivery bonds to certain clients of its subsidiaries, and the Parent company has issued letters of support to certain subsidiaries, see Note 7.6.

NOTES

7.3 AUDITORS' REMUNERATION

AUDITORS' REMUNERATION

EUR '000	2018	2017
Audit Fees	133	193
Other service with assurance fees	-	17
Tax and VAT advice fees	-	18
Other service fees	26	88
Total	159	316

Audit fees include the audit of the Parent company's financial statements. 2017 includes services related to the audit of the adoption and interpretation of IFRS 15 as well as additional work regarding auditing the acquisition of SimCorp Italiana S.p.A.

Other service fees in 2017 include due diligence services regarding the acquisition of A.P.L. Italiana S.p.A.

7.4 DEPOSITS

Deposits are primarily related to leasing of offices.

Accounting policy

Security deposits which will not be returned within one year of the balance sheet date are recognized as non-current assets. Commitments which require a deposit will initially be recorded to the deposit asset account, if the deposit is not recovered it is charged to the income statement.

DEPOSITS

EUR '000	2018	2017
Cost at January 1	1,561	1,555
Foreign exchange adjustment	-5	-2
Additions	13	37
Disposals*	-	-29
Carrying amount at December 31	1,569	1,561

* Disposals include reclassifications to current receivables.

7.5 ADJUSTMENTS, CASH FLOW

This note provides details to cash flow statement reported on page 114.

ADJUSTMENTS, CASH FLOW

EUR '000	2018	2017
Depreciation	2,882	1,716
Financial income	-20,642	-14,526
Financial expenses	4,606	3,769
Tax on profit for the year	18,437	15.535
Adjustment share based remuneration	9,305	7,551
Other included in operating income	-182	-
Total adjustments	14,406	14,045

NOTES

7.6 CONTINGENT LIABILITIES AND OTHER FINANCIAL LIABILITIES

As part of building long-term client relationships, the company has made a commitment to, in some contracts, provide SimCorp Dimension product supports for up to ten years from the date of the contract.

SimCorp A/S has issued guarantees for its subsidiaries' delivery commitments to clients for a total of EUR 62.5m (2017: EUR 35.9m). The Parent company expects to issue letters of support to certain subsidiaries.

Bank guarantees have been provided for rent commitments in Austria, Australia, Belgium, France, Germany, Luxembourg, Sweden, and USA. The Parent company is party to legal proceedings and inquiries from authorities when investigating various issues. The outcome of such is not expected to have a significant effect on profit for the year and the assessment of the company's financial position.

The most significant contingent liability relates to SimCorp A/S and is the so called "ATP-ruling" related to possible VAT exemption for certain pension services. On 13 March 2014, the Court of Justice of the European Union ("ECJ") published its judgment in the case C-464/12 ATP Pension Service A/S determining that services provided to certain pension funds may be covered by the VAT exemption in section 13, subsection 1, no. 11, litra c and f of the Danish VAT Act.

As a consequence of the ECJ ruling, a number of SimCorp's Danish clients have filed a claim against SimCorp for recovery of the VAT levied on SimCorp's products and services. Pursuant to the Danish Tax Administration Act, SimCorp has claimed a refund from the Danish Tax Authorities ("SKAT") of the VAT collected on services provided to its Danish clients. SKAT has not yet replied to this claim for a refund. However, in August 2016 SimCorp received a so-called "binding ruling" from the Danish Tax Council and in this binding ruling the Danish Tax Council concluded that SimCorp's products and services are subject to VAT.

On this basis, SimCorp does not expect the above ruling from the ECJ to have a significant effect on profit for the year and the assessment of the Group's financial position and accordingly, SimCorp has not made a provision for this in its annual accounts 2018.

7.7 EVENTS AFTER BALANCE SHEET DATE

No material events have occurred after December 31, 2018 that have consequences for the Annual Report 2018.

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