Omada A/S

Østerbrogade 135, 2100 København Ø

CVR no. 25 35 74 69

Annual report 2016

Approved at the annual general meeting of shareholders on 1/5 2017

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Omada A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2016 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2016.

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

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

Copenhagen, 1 May 2017
Executive Board:

Morten Boel Sigurdsson Chief Executive Officer	Christian Stendevad Executive Vice President, Sales	Jacob Olsen Chief Financial Officer

Board of Directors:

Peter Bubandt Colsted Chairman	Vladimir Kuznetsov	Kwellen Hatleskog
Morten Boel Sigurdsson	Niels Molzen	

Independent auditor's report

To the shareholders of Omada A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Omada A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, consolidated cash flow statement and notes, including accounting policies, for both the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group and parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent company 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 the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the Parent Company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the Parent Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report

Statement on Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the 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 of the Management's review.

Copenhagen, 1 May 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Robert Christensen
State Authorised Public Accountant

Management's review

Company details

Name	Omada A/S
Address, Postal code, City	Østerbrogade 135, 2100 København Ø
CVR no.	25 35 74 69
Established	4 May 2000
Registered office	Københavns kommune
Financial year	1 January - 31 December
Website	www.omada.dk
Telephone	+45 70 25 00 69
Board of Directors	Peter Bubandt Colsted, Chairman Vladimir Kuznetsov Kweilen Hatleskog Morten Boel Sigurdsson Niels Molzen
Executive Board	Morten Boel Sigurdsson, Chief Executive Officer Christian Stendevad, Executive Vice President, Sales Jacob Olsen, Chief Financial Officer
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank Nordea

Management's review

Financial highlights for the Group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Gross margin	108,304	100,859	83,458	62,420	59,385
Profit before interest, tax and amortisation of goodwill (EBITA)	10,040	28,262	26,222	13,797	7,388
Adjusted EBITDA	32,497	35,610	26,222	13,797	7,388
Net financials	-446	-30	-59	-358	-242
Profit/loss for the year	7,252	20,656	20,154	10,621	4,790
Total assets	104,008	82,229	60,357	54,108	45,913
Equity	45,045	37,302	22,861	13,539	16,118
Cash flows from operating activities	20,784	21,625	20,812	23,211	20,412
Net cash flows from investing activities	-10,747	-7,906	-7,223	-7,175	-7,237
Investment in property, plant and equipment	-1,275	-146	-48	-374	-47
Financial ratios					
Return on assets	10.8%	39.6%	45.8%	27.6%	14.9%
Solvency ratio	43.3%	45.4%	37.9%	25.0%	35.1%
Return on equity	17.6%	68.7%	110.7%	71.6%	25.2%
Average number of employees	114	87	67	58	71
Number of employees at the end of the year	126	100	71	62	57

Management's review

Management commentary

Business review

Strong 2016 performance delivering on the 2016-2020 growth plan

As part of Omada's growth strategy, the Company took on a new strategic minority investor, C5 Capital, in May 2015. C5 Capital is Europe's first dedicated investor in the data and security sector, and their investment in Omada amounted to USD 25 million.

During 2015, an ambitious 5-year business plan was created for 2016-2020. The ambition is to harness the full potential of Omada's software suite and unique delivery approach, whilst maintaining high standards of quality in all customer deliverables.

In 2015, Omada delivered the best financial results to date, and the 2016-2020 business plan focuses on accelerating topline growth for the coming years.

In 2016, Omada initiated a series of strategic initiatives, including significant investments in ramping up and preparing all parts of Omada's organizstion for the accelerated growth. These significant investments will continue in 2017.

Key initiatives are enhanced product development, sales and marketing activities and implementation of a new global partner programme. These initiatives require significant strategic investments, which, in line with the plan, will impact earnings before and after tax.

Commercially and financially, Omada delivered on or above the growth plan targets in 2016 on both topline and earnings.

The growth strategy has to date resulted in continued and increased growth in contracts with new international as well as Nordic clients, and it has expanded the long-term business relationship with a range of clients in the Company's existing customer portfolio.

Omada delivers the Suite of software modules to the marketplace both directly - through its own professional services organisation in select markets - and increasingly through a network of international partners. Omada partners include systems integrators and other partner categories who provide enterprise-ready identity and access governance solutions across heterogeneous IT platforms on premise and in the cloud, based on Omada's unique products.

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Strong outlook to accelerate growth and continuing delivery on the business plan for 2016-20

Especially the second half of 2016 proved strong growth and momentum in both sales and delivery. This momentum is carried on into 2017, with significant double-digit growth, fully in line with the business plan.

Omada will continue to invest significantly, hence 2017 will focus on topline growth, with a reduction in earnings, whilst Management expects the underlying profitability (adjusted EBITDA) to remain at a high level.

Financial review

In 2016, Omada once again performed significant double-digit growth, reporting earnings before tax of DKK 9,594 thousand.

Management's review

Management commentary

Best describing the underlying profitability of Omada is the KPI "Adjusted EBITDA" showing DKK 32 million, i.e. close to record-breaking 2015. The adjustments made on this KPI relate to the above strategic initiatives and long-term investments in growth to materialise in the years to come.

Omada has achieved significant double-digit revenue growth, and the balance sheet shows equity of DKK 45,045 thousand.

Knowledge resources

As a provider of software products, R&D activities are of key importance to Omada. Omada continuously focuses on developing innovative products by attracting and retaining the very best talent in the marketplace. The Company proactively works to retain and inspire employees by securing an attractive workplace and offering competitive terms as well as well-balanced incentive structures.

Special risks

As Omada operates in a range of international markets, profit and loss can be impacted by currency fluctuations.

The fact that Omada has well-established local subsidiaries in Germany and the US reduces the risk, as both revenues and the cost base are, to a certain degree, in the same currency.

Management evaluates the risk and potential risk mitigations on an ongoing basis.

Impact on the external environment

As Omada is a software vendor, the environmental impact of the Company's business model is limited. Still, Omada operates its business, office routines and practices from a "good citizen" principle, with routines for environmental protective waste processes, etc.

Research and development activities

Throughout 2016, Omada continued to invest significantly in improving and enhancing its award-winning software, 'Omada Identity Suite'. In the year under review, the Company delivered significant improvements to the software suite.

In September 2016, Omada released the ground-breaking version 12 of Omada Identity Suite. The improvements are significant and provide an even stronger foundation for supporting the future sales and growth.

As part of the 2016-2020 business plan, Omada will continue to further increase investments in innovative R&D activities.

Foreign branches

Omada has continued to grow Omada's footprint in the market by successfully entering contracts and relationships with new strategic customers and partners.

Events after the balance sheet date

Since the closing of the annual accounts, no events have occurred which could change the Company's financial position.

Outlook

The start of and further outlook for 2017 are in line with expectations and the business plan for 2016-2020.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2016	2015	2016	2015
	Gross margin	108,304	100,859	24,339	22,516
3	Staff costs	-90,668	-65,429	-12,670	-5,357
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-7,596	-7,168	-7,596	-7,168
	Profit before net financials	10,040	28,262	4,073	9,991
	Income from investments in group entities	0	0	4,441	13,399
5	Financial income	315	489	192	121
6	Financial expenses	-761	-519	-613	-556
	Profit before tax	9,594	28,232	8,093	22,955
7	Tax for the year	-2,342	-7,576	-841	-2,299
	Profit for the year	7,252	20,656	7,252	20,656

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Completed development projects	16,797	14,810	16,797	14,810
		16,797	14,810	16,797	14,810
9	**Property, plant and equipment**				
	Other fixtures and fittings, tools and equipment	1,258	345	1,258	334
		1,258	345	1,258	334
10	**Financial assets**				
	Investments in group entities, net asset value	0	0	30,257	25,519
	Other receivables	899	643	879	639
		899	643	31,136	26,158
	Total non-current assets	18,954	15,798	49,191	41,302
	Current assets				
	Receivables				
	Trade receivables	49,786	43,483	47,396	39,460
	Work in progress for third parties	789	893	47	72
	Receivables from group entities	0	0	916	3,094
	Income taxes receivable	1,356	0	2,985	2,826
	Other receivables	498	55	252	6
11	Prepayments	811	520	737	507
		53,240	44,951	52,333	45,965
	Cash	31,814	21,480	27,458	14,179
	Total Current assets	85,054	66,431	79,791	60,144
	TOTAL ASSETS	104,008	82,229	128,982	101,446

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2016	2015	2016	2015
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	2,760	760	760	760
	Net revaluation reserve according to the equity method	0	0	23,862	19,124
	Reserve for development costs	7,201	0	7,201	0
	Retained earnings	35,084	36,542	13,222	17,418
	Total equity	45,045	37,302	45,045	37,302
	Non-current liabilities				
13	Deferred tax	3,763	3,186	3,863	3,283
	Total non-current liabilities	3,763	3,186	3,863	3,283
	Current liabilities				
	Prepayments on work in progress	461	0	461	0
	Work in progress for third parties	411	0	0	0
	Trade payables	15,427	9,054	4,130	1,960
	Payables to group entities	0	0	54,591	42,787
	Income taxes payable	0	1,951	0	0
	Other payables	22,737	16,971	6,238	3,791
14	Deferred income	16,164	13,765	14,654	12,323
	Total current liabilities	55,200	41,741	80,074	60,861
	Total liabilities	58,963	44,927	83,937	64,144
	TOTAL EQUITY AND LIABILITIES	104,008	82,229	128,982	101,446

1 Accounting policies
2 Special items
15 Contractual obligations and contingencies, etc.
16 Collateral
17 Related parties

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Group			
	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2016	760	0	36,542	37,302
Disposals on demerger / corporate sale	2,000	0	-2,000	0
Transfer through appropriation of profit	0	7,201	51	7,252
Exchange adjustment	0	0	297	297
Adjustment of hedging instruments at fair value	0	0	194	194
Equity at 31 December 2016	2,760	7,201	35,084	45,045

Note	DKK'000	Parent company				
		Share capital	Net revaluation reserve according to the equity method	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2016	760	19,124	0	17,418	37,302
18	Transfer through appropriation of profit	0	4,738	7,201	-4,687	7,252
	Exchange adjustment	0	0	0	297	297
	Adjustment of hedging instruments at fair value	0	0	0	194	194
	Equity at 31 December 2016	760	23,862	7,201	13,222	45,045

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2016	Group 2015
	Profit for the year	7,252	20,656
19	Adjustments	10,380	14,827
	Cash generated from operations (operating activities)	17,632	35,483
20	Changes in working capital	8,670	-6,178
	Cash generated from operations (operating activities)	26,302	29,305
	Interest received, etc.	315	489
	Interest paid, etc.	-761	-519
	Income taxes paid	-5,072	-7,650
	Cash flows from operating activities	20,784	21,625
	Additions of intangible assets	-9,232	-7,760
	Additions of property, plant and equipment	-1,275	-146
	Purchase of financial assets	-240	0
	Cash flows to investing activities	-10,747	-7,906
	Dividends distributed	0	-10,000
	Cash capital increase	0	677
	Cash flows from financing activities	0	-9,323
	Net cash flow	10,037	4,396
	Cash and cash equivalents at 1 January	21,480	17,084
	Foreign exchange adjustments	297	0
21	**Cash and cash equivalents at 31 December**	31,814	21,480

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

Omada A/S' annual report for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized reporting class C enterprises.

Changes in accounting policies

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act.

The implementation of the amendment act has an impact on Equity and is incorporated based on the transitional relief no. 1849 of 15 December 2015. An amount equal to the recognised development costs is bound in a special reserve under shareholders' equity called "Reserve for development costs". The amount tied up in this special reserve can not be used for profit or to cover losses. If the recognised development costs are sold or otherwise not part of from the company's operations, they will be reduced or dissolved. This is done by transferring directly to retained earnings in equity. The reserve for development costs are also reduced by depreciation. As a result the reserve will not exceed the amount recognized in the balance sheet as development costs.

The change does not have any financial effect on the income statement or the balance sheet for 2016 and the comparative figures.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

Reporting currency

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

Consolidation

The consolidated financial statements comprise the parent, Omada A/S and entities controlled by the parent. Control is presumed to exist when the parent directly or indirectly owns more than half of the voting power of an entity. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and impact of potential voting rights that are actually exercisable or convertible are taken into account when assessing whether control exists.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

Entities acquired or formed are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Corporate acquisitions are accounted for using the purchase method, according to which the acquired entity's identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Restructuring costs decided by the acquiring entity must be recognised in the income statement. Allowance is made for the tax effect of revaluations made. Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met. Goodwill and negative goodwill from acquired entities can be adjusted until 12 months after the year of acquisition.

Entities over which the Group has significant influence are considered associates. The Group is considered to have significant influence when it directly or indirectly holds between 20% and 50% of the voting rights or otherwise has or actually exercises significant influence. Associates are recognised in the consolidated financial statements at their net asset value.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

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

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for hedging of future assets or liabilities are recognised in other receivables or other payables, respectively, and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue when the risks have been transferred to the buyer and provided that the income can be reliably measured and payment is expected to be received.

Income from construction contracts involving a high degree of customisation is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the market value of the contract work performed during the year (percentage-of-completion method). This method is used where the total income and expenses and the degree of completion of the contract can be measured reliably.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Where income from a construction contract cannot be estimated reliably, contract revenue corresponding to the expenses incurred is recognised only in so far as it is probable that such expenses will be recoverable from the counterparty.

Licence and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue from time limited software licences is accrued and recognised on a straight line basis over the term of the licence according to the terms of the licence agreement.

Sale of indefinite software licences is recognised as sale of goods whereby revenue is recognised when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Other operating income

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

Other external expenses

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

Staff costs

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

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Amortisation/depreciation

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

The cost net of the expected residual value for completed development projects is amortised over the expected useful life.

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

Completed development projects	3 years
Other fixtures and fittings, tools and equipment	3-5 years

Income from investments in group entities

The item includes the Company's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

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

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is 3 years.

Property, plant and equipment

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

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the entities' net asset values calculated in accordance with the parent company's accounting policies minus or plus any residual value of positive or negative goodwill calculated in accordance with the purchase method of accounting. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the entity's deficit. Net revaluations of investments in subsidiaries are transferred to the net revaluation reserve according to the equity method where the carrying amount exceeds the acquisition cost.

Newly acquired or formed entities are recognised in the financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised up to the date of disposal.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity's identifiable assets and liabilities are measured at fair value at the date of acquisition. In connection with the acquisition, a provision is made for expenses related to adopted plans to restructure the acquired entity. The tax effect of revaluations made is taken into account.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

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

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Income taxes

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

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Return on assets $\dfrac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Solvency ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity $\dfrac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

The key figure "adjusted EBITDA", which consists of revenue and operating costs. The operating costs is adjusted for the special items in note 2. These special items represents the long term and strategic investments in ramping up our Sales, Marketing and R&D organization.

2 **Special items**

	Group	
DKK'000	2016	2015
Income		
Staff costs	2,057	0
	2,057	0
Expenses		
Other external expenses	-1,367	0
Staff costs	-15,551	0
	-16,918	0
Special items are recognised in the below items of the financial statements		
	-14,861	0
Net profit/loss on special items	-14,861	0

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2016	2015	2016	2015
3	**Staff costs and incentive programmes**				
	Wages/salaries	83,845	63,651	11,660	4,874
	Pensions	5,885	1,220	640	292
	Other social security costs	938	558	370	191
		90,668	65,429	12,670	5,357
	Average number of full-time employees	114	87	22	16
	Number of employees at the balance sheet date	126	100	33	18
	Remuneration to members of management:				
	Executive board	3,686	3,118	2,721	2,227
	Board of Directors	190	100	100	100
		3,876	3,218	2,821	2,327

Group

Wages/salaries in the group and parent company amounting to DKK 8,616 thousand (DKK 7,030 thousand in 2015) have been recognised as "Completed development projects".

Incentive programmes

As part of an incentive scheme for certain key employees in the Company and in Group entities, Omada A/S has issued a total of 199,501 warrants which entitle the holders to subscribe for up to nominally DKK 99,751 class C shares in Omada A/S. All warrants must be granted by 1 April 2023.

At 31 December 2016, a total of 65,489 warrants had been exercised, entitling the holders to subscribe for nominally DKK 32,745 class C shares. 12,884 of these warrants have been exercised by members of the Executive Board. The subscription price of the exercised warrants is DKK 108 on average.

As for warrants outstanding at 31 December 2016, the average remaining life is 6.25 years, and the exercise price is DKK 186.15 per warrant.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

		Group		Parent company	
	DKK'000	2016	2015	2016	2015
4	**Amortisation/depreciation of intangible assets and property, plant and equipment**				
	Amortisation of intangible assets	7,245	7,055	7,245	7,055
	Depreciation of property, plant and equipment	351	113	351	113
		7,596	7,168	7,596	7,168
5	**Financial income**				
	Other financial income	315	489	192	121
		315	489	192	121
6	**Financial expenses**				
	Interest expenses, group entities	0	0	417	306
	Exchange adjustments	0	0	0	71
	Other financial expenses	761	519	196	179
		761	519	613	556
7	**Tax for the year**				
	Estimated tax charge for the year	1,817	6,742	316	2,043
	Deferred tax adjustments in the year	525	280	525	256
	Tax adjustments, prior years	0	554	0	0
		2,342	7,576	841	2,299

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Intangible assets

DKK'000	Group Completed development projects
Cost at 1 January 2016	71,668
Additions in the year	9,232
Disposals in the year	-56,733
Cost at 31 December 2016	24,167
Impairment losses and amortisation at 1 January 2016	56,858
Amortisation/depreciation in the year	7,245
Reversal of depreciation of disposals	-56,733
Impairment losses and amortisation at 31 December 2016	7,370
Carrying amount at 31 December 2016	16,797
Amortised over	3 years

DKK'000	Parent company Completed development projects
Cost at 1 January 2016	71,668
Additions in the year	9,232
Disposals in the year	-56,733
Cost at 31 December 2016	24,167
Impairment losses and amortisation at 1 January 2016	56,858
Amortisation/depreciation in the year	7,245
Reversal of depreciation of disposals	-56,733
Impairment losses and amortisation at 31 December 2016	7,370
Carrying amount at 31 December 2016	16,797
Amortised over	3 years

Completed development projects

Completed development projects includes the development and continued enhancement of the Omada Identity Suite. In 2016 Omada have released version 11.1 in March and version 12.0 in September further to a series of patch releases. Since September the main development project in progress was the development of version 12.1 which was feature complete in December and released in January 2017.

Management has not identified any evidence of impairment relative to the carrying amount of the system.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Property, plant and equipment

DKK'000	Group Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	1,863
Additions in the year	1,275
Disposals in the year	-11
Cost at 31 December 2016	3,127
Impairment losses and depreciation at 1 January 2016	1,518
Amortisation/depreciation in the year	351
Impairment losses and depreciation at 31 December 2016	1,869
Carrying amount at 31 December 2016	1,258
Amortised over	3-5 years

DKK'000	Parent company Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	1,852
Additions in the year	1,275
Cost at 31 December 2016	3,127
Impairment losses and depreciation at 1 January 2016	1,518
Amortisation/depreciation in the year	351
Impairment losses and depreciation at 31 December 2016	1,869
Carrying amount at 31 December 2016	1,258
Amortised over	3-5 years

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Investments

	Parent company		
DKK'000	Investments in group entities, net asset value	Other receivables	Total
Cost at 1 January 2016	6,395	639	7,034
Additions in the year	0	240	240
Cost at 31 December 2016	6,395	879	7,274
Value adjustments at 1 January 2016	19,124	0	19,124
Exchange adjustment	297	0	297
Share of the profit/loss for the year	4,441	0	4,441
Value adjustments at 31 December 2016	23,862	0	23,862
Carrying amount at 31 December 2016	30,257	879	31,136

Parent company

Subsidiaries

Omada Services A/S	A/S	Copenhagen	100.00 %
Omada SAP Services A/S	A/S	Copenhagen	100.00 %
Omada Solutions Inc.	Inc.	USA	100.00 %
Omada International ApS	ApS	Copenhagen	100.00 %
Omada GmbH	GmbH	Germany	100.00 %
Omada Ltd	Ltd	UK	100.00 %

11 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years.

Parent company

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	Parent company 2016	Parent company 2015
12 Share capital		
Analysis of the share capital:		
697,254 A- shares of DKK 0.50 nominal value each	349	349
757,637 B- shares of DKK 0.50 nominal value each	379	379
63,561 C- shares of DKK 0.50 nominal value each	32	32
	760	760

Each A share carries 113 voting rights, each B share carries 100 voting rights and C shares do not carry any voting rights.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
13 Deferred tax				
Deferred tax relates to:				
Intangible assets	3,695	3,258	3,695	3,258
Property, plant and equipment	-49	-81	-49	-81
Receivables	162	106	162	106
Equity	55	0	55	0
Tax loss	-100	-97	0	0
	3,763	3,186	3,863	3,283

14 Deferred income

Group

Deferred income comprises payments relating to the sale which will not be recognised as income until the subsequent financial year when the recognition criteria are satisfied.

Parent company

Deferred income comprises payments relating to the sale which will not be recognised as income until the subsequent financial year when the recognition criteria are satisfied.

15 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Rent and lease liabilities	5,384	2,868	5,230	2,615

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally liable with other jointly taxed group entities for payment of income taxes and withholding taxes falling due for payment on or after 1 July 2012 in the group of jointly taxed entities.

16 Collateral

Parent company

The Company has issued a letter of support to Omada Ltd.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

17 **Related parties**

Group

Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions that have not been carried through on normal market terms.

Information on the remuneration to management

Information on the remuneration to Management appears from note 3, "Staff costs".

Parent company

Group enterprise transactions not carried through on normal market terms

There are no related party transactions that have not been carried out on normal market terms.

In accordance with the Danish Financial Statements Act § 98c paragraph 3, information regarding transactions between Omada A/S and its wholly owned subsidiaries is dispensed.

Information about remuneration to Management

Information about remuneration to Management appears from note 3, "Staff costs".

DKK'000	Parent company	
	2016	2015
18 **Appropriation of profit/loss**		
Recommended appropriation of profit		
Extraordinary dividend distributed in the year	0	8,950
Net revaluation reserve according to the equity method	4,738	9,753
Reserve for development costs	7,201	0
Retained earnings/accumulated loss	-4,687	1,953
	7,252	20,656

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2016	Group 2015
19 Adjustments		
Amortisation/depreciation and impairment losses	7,596	7,168
Financial income	-315	-489
Financial expenses	761	519
Tax for the year	2,342	7,576
Other adjustments	-4	53
	10,380	14,827
20 Changes in working capital		
Change in receivables	-6,684	-16,805
Change in trade and other payables	15,354	10,627
	8,670	-6,178
21 Cash and cash equivalents at year-end		
Cash according to the balance sheet	31,814	21,480
	31,814	21,480