Omada A/S

Østerbrogade 135, 1, 2100 København Ø

CVR no. 25 35 74 69

Annual report 2017

Approved at the Company's annual general meeting on 3 May 2018

Chairman:

Peter Colstrup

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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 2017.

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 2017 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 2017.

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, 3 May 2018
Executive Board:

Morten Boel Sigurdsson
Chief Executive Officer

Christian Stendevad
Executive Vice President

Jacob Olsen
Chief Financial Officer

Board of Directors:

Peter Bubandt Colsted
Chairman

Andries Daniël Faber Pienaar

Vladimir Kuznetsov

Morten Boel Sigurdsson

Michael Samuel Sherain

Lars Blavnsfeldt

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 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. 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 2017, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 scepticism throughout the audit. We also:

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Copenhagen, 3 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Robert Christensen
State Authorised Public Accountant
MNE no.: mne16653

Management's review

Company details

Name	Omada A/S
Address, Postal code, City	Østerbrogade 135, 1, 2100 København Ø
CVR no.	25 35 74 69
Established	4 May 2000
Registered office	Copenhagen municipality
Financial year	1 January - 31 December
Website	www.omada.net
Telephone	+45 70 25 00 69
Board of Directors	Peter Bubandt Colsted, Chairman Andries Danïel Faber Pienaar Vladimir Kuznetsov Morten Boel Sigurdsson Michael Samuel Sherain Lars Blavnsfeldt
Executive Board	Morten Boel Sigurdsson, Chief Executive Officer Christian Stendevad, Executive Vice President Jacob Olsen, Chief Financial Officer
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Key figures					
Gross margin	151,889	108,304	100,859	83,458	62,420
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	20,683	17,636	35,430	33,330	20,857
Adjusted EBITDA	38,519	32,497	35,430	33,330	20,857
Net financials	-801	-446	-30	-59	-358
Profit/loss for the year	**9,302**	**7,252**	**20,656**	**20,154**	**10,621**
Total assets	140,943	104,008	82,229	60,357	54,108
Equity	**54,229**	**45,045**	**37,302**	**22,861**	**13,539**
Cash flows from operating activities	13,847	20,784	21,625	20,812	23,211
Net cash flows from investing activities	-15,018	-10,747	-7,906	-7,223	-7,175
Investment in property, plant and equipment	-388	-1,275	0	-48	-374
Financial ratios					
Return on assets	10.0%	10.8%	39.6%	45.8%	27.6%
Solvency ratio	38.5%	43.3%	45.4%	37.9%	25.0%
Return on equity	18.7%	17.6%	68.7%	110.7%	71.6%
Average number of employees	**149**	**114**	**87**	**67**	**58**
Number of employees at the end of the year	**177**	**126**	**100**	**71**	**62**

Management's review

Business review

Strong 2017 performance delivering on the 2016-2020 growth plan

In 2015, Omada Management created an ambitious 5-year business plan covering 2016 2020. The plan was created together with C5 Capital who entered as a strategic minority investor in Omada 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).

The growth plan reflects the Company's ambition to grow significantly internationally and to become a market leader within its field by harnessing the full potential of Omada's on premise & SaaS product(s) in combination with Omada's unique delivery approach, Omada Process Framework, i.e IdentityPROCESS+ ™.

This combination of IP, method and content enables Omada's constantly expanding partner network to deliver high value solutions to the marketplace, whilst maintaining Omada's 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 organization to the accelerated growth. These significant investments have continued in 2017, whilst also successfully realizing the planned impact on Omada's topline growth. The topline growth exceeded the targets and represents a high double digit growth. Key initiatives include increased product development in Omada's SaaS offering providing an enterprise grade solution delivered as a service for customers.

As defined in the strategy, Omada predominantly delivers its products and services with or through a network of international partners. Consequently, Omada has continued investments in scaling the Company's sell-with-partner sales organization and building the Company's partner program.

These initiatives have high value and require significant investments leading to a short-term downwards impact on earnings, whilst the topline is growing rapidly in line with the business plan. The strategy has to date resulted in increased growth in the partner community and contracts with new clients. The customer portfolio is rapidly increasing.

Commercially and financially, Omada delivered on or above the growth plan targets in 2017 on both topline and earnings.

Strong outlook to accelerate growth and continuing delivery on the business plan for 2016-2020

With Omada reaching or exceeding all main targets for 2017, combined with the momentum in both sales and delivery, Omada expects to continue high double digit growth in 2018, in line with its budget and business plan.

Omada will continue to invest significantly. Hence, 2018 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 2017, Omada once again performed significant double digit growth, reporting earnings before tax of DKK 11,401 thousand

Best describing the underlying profitability of Omada is the KPI "Adjusted EBITDA" showing DKK 38,5 million, i.e. above the 2015 result. The adjustments made on this KPI relate to the above strategic initiatives and long term investments in growth to materialize further in the years to come.

The balance sheet is solid with an equity of DKK 54,229 thousand.

Management's review

Knowledge resources

As a provider of software products and services, R&D activities are of key importance to Omada.

Omada continuously focuses on developing innovative products and services 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, UK 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.

Omada has also initiated a project towards ISO 27001 certification.

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 and solidly anchored policies for environmental protective waste processes, etc.

Research and development activities

Throughout 2017, Omada continued to invest significantly in improving and enhancing its award winning on premise & SaaS product(s). In the year under review, Omada also delivered significant improvements to the IP/products. As outlined in the business plan, Omada will continue to further increase investments in innovative R&D and product related 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 that could change the Company's financial position.

Outlook

The start of and further outlook for 2018 are in line with expectations and the business plan for 2016-2020.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
	Gross margin	151,889	108,304	37,742	24,399
3	Staff costs	-131,206	-90,668	-18,048	-12,670
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-8,481	-7,596	-8,481	-7,596
	Profit before net financials	12,202	10,040	11,213	4,133
	Income from investments in group entities	0	0	1,167	4,441
5	Financial income	881	315	837	192
6	Financial expenses	-1,682	-761	-1,579	-673
	Profit before tax	11,401	9,594	11,638	8,093
7	Tax for the year	-2,099	-2,342	-2,336	-841
	Profit for the year	9,302	7,252	9,302	7,252

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2017	2016	2017	2016
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Completed development projects	22,882	16,797	22,882	16,797
	Acquired intangible assets	75	0	75	0
		22,957	16,797	22,957	16,797
9	**Property, plant and equipment**				
	Other fixtures and fittings, tools and equipment	1,220	1,258	1,205	1,258
		1,220	1,258	1,205	1,258
10	**Financial assets**				
	Investments in group entities, net asset value	0	0	36,742	30,257
	Other receivables	1,289	899	1,252	879
13	Deferred tax assets	2,843	0	0	0
		4,132	899	37,994	31,136
	Total non-current assets	28,309	18,954	62,156	49,191
	Current assets				
	Receivables				
	Trade receivables	79,268	49,786	50,090	47,396
	Work in progress for third parties	413	789	0	47
	Receivables from group entities	0	0	21,621	916
	Income taxes receivable	1,123	1,356	0	2,985
	Other receivables	63	498	18	252
11	Prepayments	1,662	811	1,506	737
		82,529	53,240	73,235	52,333
	Cash	30,105	31,814	26,571	27,458
	Total current assets	112,634	85,054	99,806	79,791
	TOTAL ASSETS	140,943	104,008	161,962	128,982

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
	EQUITY AND LIABILITIES				
	Equity				
12	Share capital	760	760	760	760
	Net revaluation reserve according to the equity method	0	0	20,924	23,862
	Reserve for development costs	0	0	15,830	7,201
	Retained earnings	53,469	44,285	16,715	13,222
	Total equity	54,229	45,045	54,229	45,045
	Non-current liabilities				
13	Deferred tax	4,883	3,763	4,883	3,863
	Total non-current liabilities	4,883	3,763	4,883	3,863
	Current liabilities				
	Prepayments on work in progress	5,529	872	78	461
	Trade payables	25,163	15,427	8,289	4,130
	Payables to group entities	0	0	69,597	54,591
	Income taxes payable	2,234	0	314	0
	Other payables	30,762	22,737	7,934	6,238
14	Deferred income	18,143	16,164	16,638	14,654
	Total current liabilities	81,831	55,200	102,850	80,074
	Total liabilities	86,714	58,963	107,733	83,937
	TOTAL EQUITY AND LIABILITIES	140,943	104,008	161,962	128,982

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 1 January - 31 December

Statement of changes in equity

DKK'000	Group: Share capital	Group: Retained earnings	Group: Total
Equity at 1 January 2017	760	44,285	45,045
Transfer through appropriation of profit	0	9,302	9,302
Exchange adjustment	0	62	62
Adjustment of hedging instruments at fair value	0	-180	-180
Equity at 31 December 2017	760	53,469	54,229

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 2017	760	23,862	7,201	13,222	45,045
18	Transfer, see "Appropriation of profit"	0	-2,938	8,629	3,611	9,302
	Exchange adjustment	0	0	0	62	62
	Adjustment of hedging instruments at fair value	0	0	0	-180	-180
	Equity at 31 December 2017	760	20,924	15,830	16,715	54,229

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2017	Group 2016
	Profit for the year	9,302	7,252
19	Adjustments	11,801	10,380
	Cash generated from operations (operating activities)	21,103	17,632
20	Changes in working capital	-5,123	8,670
	Cash generated from operations (operating activities)	15,980	26,302
	Interest received, etc.	1,482	315
	Interest paid, etc.	-2,259	-761
	Income taxes paid	-1,356	-5,072
	Cash flows from operating activities	13,847	20,784
	Additions of intangible assets	-14,216	-9,232
	Additions of property, plant and equipment	-388	-1,275
	Purchase of financial assets	-414	-240
	Cash flows to investing activities	-15,018	-10,747
	Net cash flow	-1,171	10,037
	Cash and cash equivalents at 1 January	31,814	21,480
	Foreign exchange adjustments	-538	297
21	**Cash and cash equivalents at 31 December**	30,105	31,814

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

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

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company's power to direct a subsidiary's financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are 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 if they do not reflect impairment.

In the consolidated financial statements, the accounting items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the group's profit/loss and equity, respectively, but are disclosed separately.

Acquisitions and disposals of non-controlling interests which are still controlled are recognised directly in equity as a transaction between shareholders.

Investments in associates and joint ventures are recognised in the consolidated financial statements using the equity method.

The group's activities in joint operations are recognised on a line-by-line basis.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

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

Staff costs

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

Amortisation/depreciation

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

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

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Income from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Shares of profit/loss after tax in associates are recognised in the consolidated income statement after elimination of a proportionate share of unrealised intra-group gains/losses.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Balance sheet

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured according to the equity method. Equity investments in joint ventures are also measured according to the equity method in the consolidated financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

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).

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.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

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Notes to the financial statements

1 Accounting policies (continued)

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

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.

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.

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Notes to the financial statements

1 Accounting policies (continued)

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

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

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

Equity ratio $$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$$

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

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.

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Notes to the financial statements

2 Special items

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Expenses				
Investments in R&D organisation	-2,425	-25	0	0
Investments in Sales organisation	-11,839	-11,056	0	0
Investments in marketing and recruitment	-3,494	-3,780	0	0
	-17,758	-14,861	0	0
Special items are recognised in the below items of the financial statements				
Other external expenses	-2,857	-2,320	0	0
Staff costs	-14,901	-12,541	0	0
Net profit/loss on special items	-17,758	-14,861	0	0

3 Staff costs and incentive programmes

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Wages/salaries	121,230	83,845	16,084	11,660
Pensions	7,230	5,885	1,255	640
Other social security costs	2,746	938	709	370
	131,206	90,668	18,048	12,670
Average number of full-time employees	149	114	27	22
Number of employees at the balance sheet date	177	126	38	33
Remuneration to members of management:				
Executive board	3,992	3,686	2,982	2,721
Board of Directors	213	190	213	190
	4,205	3,876	3,195	2,911

Group

Wages/salaries in the group and parent company amounting to 9,656 thousand (DKK 8,616 thousand in 2016) 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 2017, a total of 91,254 warrants had been exercised, entitling the holders to subscribe for nominally DKK 45,627 class C shares. 19,326 of these warrants have been exercised by members of the Executive Board. The subscription price of the exercised warrants is DKK 130 on average.

As for warrants outstanding at 31 December 2017, the average remaining life is 5,25 years, and the exercise price is DKK 186,15 per warrant.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
4 Amortisation/depreciation of intangible assets and property, plant and equipment				
Amortisation of intangible assets	8,055	7,245	8,055	7,245
Depreciation of property, plant and equipment	426	351	426	351
	8,481	7,596	8,481	7,596
5 Financial income				
Other financial income	881	315	837	192
	881	315	837	192
6 Financial expenses				
Interest expenses, group entities	0	0	558	417
Other financial expenses	1,682	761	1,021	256
	1,682	761	1,579	673
7 Tax for the year				
Estimated tax charge for the year	2,003	1,817	1,266	316
Deferred tax adjustments in the year	1,119	525	1,070	525
Tax adjustments, prior years	-1,023	0	0	0
	2,099	2,342	2,336	841

8 Intangible assets

DKK'000	Group: Completed development projects	Group: Acquired intangible assets	Group: Total
Cost at 1 January 2017	24,167	0	24,167
Additions in the year	14,140	75	14,215
Cost at 31 December 2017	38,307	75	38,382
Impairment losses and amortisation at 1 January 2017	7,370	0	7,370
Amortisation/depreciation in the year	8,055	0	8,055
Impairment losses and amortisation at 31 December 2017	15,425	0	15,425
Carrying amount at 31 December 2017	22,882	75	22,957
Amortised over	3 years		

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

8 Intangible assets (continued)

DKK'000	Parent company		
	Completed development projects	Acquired intangible assets	Total
Cost at 1 January 2017	24,167	0	24,167
Additions in the year	14,140	75	14,215
Cost at 31 December 2017	38,307	75	38,382
Impairment losses and amortisation at 1 January 2017	7,370	0	7,370
Amortisation/depreciation in the year	8,055	0	8,055
Impairment losses and amortisation at 31 December 2017	15,425	0	15,425
Carrying amount at 31 December 2017	22,882	75	22,957
Amortised over	3 years		

Completed development projects

Completed development projects includes the development and continued enhancement of the Omada Identity Suite. In 2017 we have released version 12.1 in January, 12.2 in May and 12.3 in October further to a series of patch releases. Since October the main development project in progress was the development of version 13, which is expected to be released in spring 2018.

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

Consolidated financial statements and parent company financial statements 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 2017	3,127
Adjustment to opening	-113
Additions in the year	388
Cost at 31 December 2017	3,402
Impairment losses and depreciation at 1 January 2017	1,869
Adjustment to opening	-113
Amortisation/depreciation in the year	426
Impairment losses and depreciation at 31 December 2017	2,182
Carrying amount at 31 December 2017	1,220
Depreciated over	3-5 years

DKK'000	Parent company Other fixtures and fittings, tools and equipment
Cost at 1 January 2017	3,127
Adjustment to opening	-113
Additions in the year	373
Cost at 31 December 2017	3,387
Impairment losses and depreciation at 1 January 2017	1,869
Adjustment to opening	-113
Amortisation/depreciation in the year	426
Impairment losses and depreciation at 31 December 2017	2,182
Carrying amount at 31 December 2017	1,205
Depreciated over	3-5 years

Consolidated financial statements and parent company financial statements 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 2017	6,395	879	7,274
Additions in the year	9,473	373	9,846
Disposals in the year	-50	0	-50
Cost at 31 December 2017	15,818	1,252	17,070
Value adjustments at 1 January 2017	23,862	0	23,862
Exchange adjustment	61	0	61
Share of the profit/loss for the year	1,167	0	1,167
Reversal of revaluation of sold investments	-4,166	0	-4,166
Value adjustments at 31 December 2017	20,924	0	20,924
Carrying amount at 31 December 2017	36,742	1,252	37,994

Parent company

Name	Legal form	Domicile	Interest
Subsidiaries			
Omada Services A/S	A/S	Copenhagen	100.00%
Omada Digital Services A/S	A/S	Copenhagen	100.00%
Omada Solutions Inc.	Inc.	USA	100.00%
Omada GmbH	GmbH	Germany	100.00%
Omada Ltd	Ltd	UK	100.00%
Associates			
AMS Denmark Holding ApS	ApS	Copenhagen	49.95%

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

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 2017	Parent company 2016
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.

DKK'000	Group 2017	Group 2016	Parent company 2017	Parent company 2016
13 Deferred tax				
Deferred tax at 1 January	3,763	3,186	3,863	3,283
Deferred tax, income statement	-1,119	525	1,070	525
Deferred tax, equity	-604	52	-50	55
Deferred tax at 31 December	2,040	3,763	4,883	3,863
Deferred tax relates to:				
Intangible assets	5,051	3,695	5,051	3,695
Property, plant and equipment	-41	-49	-41	-49
Receivables	331	162	331	162
Equity	4	55	4	55
Liabilities	-462	0	-462	0
Tax loss	-2,843	-100	0	0
	2,040	3,763	4,883	3,863
Analysis of the deferred tax				
Deferred tax assets	-2,843	0	0	0
Deferred tax liabililties	4,883	3,763	4,883	3,863
	2,040	3,763	4,883	3,863

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

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:

	Group		Parent company	
DKK'000	2017	2016	2017	2016
Rent and lease liabilities	3,457	3,640	3,411	3,487

Group

The Parent company is jointly registered for VAT with its subsidiaries Omada Services A/S and Omada Digital Services A/S. The Company is thus jointly and severally liable for all VAT liabilities under the tax consolidation. Total consolidated VAT liability for the jointly registered companies totalled DKK 1,402 thousand at 31 December 2017.

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.

17 Related parties

Group

Related party transactions

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

Transactions with related parties

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 and incentive programmes".

DKK'000	Parent company 2017	Parent company 2016
18 Appropriation of profit		
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	-2,938	4,738
Reserve for development costs	8,629	7,201
Retained earnings/accumulated loss	3,611	-4,687
	9,302	7,252

DKK'000	Group 2017	Group 2016
19 Adjustments		
Amortisation/depreciation and impairment losses	8,481	7,596
Financial income	-1,482	-315
Financial expenses	2,259	761
Tax for the year	2,099	2,342
Other adjustments	444	-4
	11,801	10,380
20 Changes in working capital		
Change in receivables	-22,885	-6,684
Change in trade and other payables	17,762	15,354
	-5,123	8,670
21 Cash and cash equivalents at year-end		
Cash according to the balance sheet	30,105	31,814
	30,105	31,814