

KMD A/S

Lautrupparken 40

2750 Ballerup

CVR No. 26911745

Annual Report 2018/19

Årsrapporten er fremlagt og
godkendt på selskabets
generalforsamling.

Dato: 5. juli 2019

Dirigent: Jacob A. Drøhse

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Management's Statement

Today, Management has considered and adopted the Annual Report of KMD A/S for the financial year 1 January 2018 - 31 March 2019.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 March 2019 and of the results of the Company's operations for the financial year 1 January 2018 - 31 March 2019.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ballerup, 5 July 2019

Executive Board

Eva Berneke
Man. Director

Jannich Lund
CFO

Nubohiko Nakatsu
Director

Supervisory Board

Masakazu Yamashina

Jens Due Olsen

Tomoki Kubo

Toshiyuki Otake

Megumi Yamamoto

Henrik Harder Olsen

Thomas Bisballe

Kim Skovgaard

Independent Auditor's Report

To the shareholders of KMD A/S

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 March 2019 and of the results of its operations for the financial year 1 January 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of KMD A/S for the financial year 1 January 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's responsibility for the financial statements

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

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

Independent Auditor's Report

The auditor's responsibility for the audit of the financial statements

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

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

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Ballerup, 5 July 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
CVR-no. 33771231

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

KMD A/S

Company details

Company	KMD A/S Lautrupparken 40 2750 Ballerup
CVR No.	26911745
Registered office	Ballerup
Financial year	1 January 2018 - 31 March 2019
Supervisory Board	Masakazu Yamashina Jens Due Olsen Tomoki Kubo Toshiyuki Otake Megumi Yamamoto Henrik Harder Olsen Thomas Bisballe Kim Skovgaard
Executive Board	Eva Berneke, Man. Director Jannich Lund, CFO Nubohiko Nakatsu, Director

Management's Review

Welcome to KMD

KMD is one of Denmark's largest IT and software companies, with locations in Copenhagen, Aarhus, Odense and Aalborg. The KMD Group also comprises subsidiaries in Norway, Sweden, Finland, Australia and Poland.

NEC Corporation has acquired the KMD Group from the global private equity firm Advent International and the Danish pension fund Sampension in February 2019.

The acquisition of the KMD Group is part of NEC's growth strategy and expansion of the group's global competencies within software development. The KMD transaction is the biggest company acquisition for NEC and one of the biggest Japanese acquisitions of a foreign software company in the past decade.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2018 - 31 March 2019 shows a result of DKK -238.595.732 and the Balance Sheet at 31 March 2019 a balance sheet total of DKK 3.650.390.155 and an equity of DKK 1.417.296.945.

As part of the acquisition by NEC, the Company's external debt has been repaid and the company has been capitalized through equity contribution by KMD Holdco 4 A/S.

Net profit/loss for the year compared with expected developments in the most recently published annual report

The outlook for KMD A/S for 2018 was revenue and EBITDA on par with 2017. Revenue is considered to have met the outlook adjusted for the additional 3 months in 2019 compared with 12 months for 2017. EBITDA outlook was in line with Management expectations.

Business risks

In common with all other IT companies, KMD is exposed to a number of business risks relating to market developments, shifts in customer demand, technological changes, employee recruitment, project execution, etc.

Work to identify risks, consolidate the overview and ensure that relevant measures are initiated is an integral part of managing the business. KMD's enterprise risk management processes are executed within the frameworks defined by the Board of Directors. A significant part of KMD's business is delivered in the form of customer projects, with performance terms outlined in the relevant contracts.

On 14 March 2017, the Danish supplementary pension provider ATP decided to terminate the contract regarding development, operation and maintenance of a new pension system. As a consequence of the termination, ATP has sued KMD and claimed compensation of DKK 1,166 million.

KMD has rejected ATP's right to terminate the contract and the basis for the compensation claim. In addition, KMD has made a counterclaim.

Expectations for the future

The Company expects its operations to develop positively next year.

Knowledge resources

In recent years, Technological development have been taking place extremely rapidly, and customers expect innovative solutions deploying the latest technology. This creates a need for KMD to develop the competencies of its employees and managers. KMD is addressing this challenge in part through our transparent career model for upskilling and retaining capable employees to undertake the various development tasks.

Management's Review

Statement regarding corporate social responsibility - cf. Sections 99a of the Danish Financial Statements Act

KMD is working with multiple activities in the CSR field. A statement regarding corporate social responsibility and targets for the underrepresented gender on the Board of Directors for KMD Holding ApS, cf. Sections 99a of the Danish Financial Statements Act, can be found on KMD's website: www.kmd.net/CSRreport2018.

Women at KMD - cf. Section 99b of the Danish Financial Statements Act

Female role models can be beacons for KMD to attract even more women to the company both as employees and managers. The proportion of women at KMD is currently 32 %. By comparison, women make up 24 % of the industry as a whole. Compared with the business community in general and the IT industry in particular, women are strongly represented at KMD's top management level.

In the top two management layers, there are 36% women, which means KMD for this part is on the right track in terms of demonstrating equal opportunities internally and providing inspiration externally. In 2018, women made up 24 % of all managers, status quo compared to 2017. We can do better. In 2018 we updated our diversity policy to address the challenge better. KMD has set a goal for the share of female managers to be 30 % by 2022.

At management level, we have a consistent focus and concerted effort to promote diversity and work to eliminate bias and discrimination in the workplace. We therefore strive to provide equal opportunities for all employees. KMD has a specific focus on addressing fair and representative inclusion of men and women in leadership and fair and representative hiring of men and women in specialist roles.

To further workplace diversity, we consult with our employees, and together with our managers they are invited to propose improvements. As of 2019 a diversity task force has been established, with the intent of assessing ongoing diversity initiatives and proposing new initiatives, policies and targets to promote greater diversity.

Currently since KMD was acquired by NEC in February 2019 there is one woman elected by the general meeting on KMD's Board of Directors. Our goal is to have 33 % women on the Board of Directors, corresponding to two women, within 1 February 2022.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

Numbers appear in thousands

	2018/19	2017	2016	2015	2014
Net turnover	6.003.808	5.192.299	5.073.800	5.084.500	4.813.600
Operating profit/loss	-196.464	289.802	340.800	665.500	164.600
Profit/loss before tax and extraordinary items	-254.601	253.834	325.800	666.100	167.200
Profit/loss for the year	-238.596	-177.523	244.400	505.300	118.300
Investment in tangible assets	17.988	18	37.853	67.461	66.709
Total equity	1.417.297	942.375	1.164.600	920.200	814.700
Total assets	3.650.390	3.617.705	3.706.100	2.713.600	2.343.600
Profit margin (%)	-3	6	7	13	3
Solvency ratio (%)	39	26	34	35	30
Avg. number of full-time employees	2.096	2.583	2.920	3.071	2.961

For definitions of key ratios, see Accounting Policies.

The fiscal year 2018/19 includes 15 months due to the change of fiscal period.

Accounting Policies

Reporting Class

The Annual Report of KMD A/S for 2018/19 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company has also decided not to include an cash flow statement due to Danish Financial Statements Act §86, 4. The entity's cash flow is included in the consolidated cash flow statement for the parent company, KMD Holding ApS.

The Company has changed the accounting policies for recognition of revenue from contracts with customers. Revenue from contracts with customers are recognized based on transfer of control as interpreted based on IFRS 15 either at the point in time, where control transfers to the customer or over time as the control passes to the customer. Revenue is derived from information technology services and operation solutions.

The Company has also changed its evaluation of provision for loss under IFRS 9.

Management considers the application of the principles of IFRS 15 and IFRS 9 to give a more fair view of the financial result.

The change in accounting policies have been made according to modified retrospective method with the cumulative effect of initially applying IFRS 15 and IFRS 9 recognized on equity at the date of the initial application of January 1, 2018 and consequently comparative information has not been restated.

The change in accounting policy regarding revenue have had a negative impact on equity and balance sheet at 1 January 2018 on DKK 17.0m. For the fiscal year 2018/19 revenue has increased with DKK 5.6m as a result of the change and equity has increased with DKK 11.4m as of 31 March 2019.

Except from above The accounting policies applied remain unchanged from last year. Minor reclassifications have been made in the balance sheet, however it does not affect either the result for the year or equity.

Due to the acquisition of the KMD Group by NEC, the company has changed its fiscal year to align with the fiscal year in the NEC Group. As a result the fiscal year for 2018/19 includes 15 months, and the fiscal year going forward will be from 1 April - 31 March.

Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are included in the consolidated financial statements of KMD Holding ApS.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

Accounting Policies

Derivative financial instruments

Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the Balance Sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised in other receivables or other payables and in equity. In the event that the future transaction results in the recognition of assets or liabilities, any amounts previously recognised in equity will be transferred to the cost of the asset or the liability, respectively. In the event that the future transaction results in income or expenses, any amounts previously recognised in equity will be transferred to the Income Statement in the period in which the hedged item affects the Income Statement.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continually be recognised in the Income Statement.

Grants provided to and received from the parent company are recognised in equity.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue can be recognized over time or at a point in time. Revenue is recognized over time, when an asset on behalf of a customer is created with no alternative use and KMD has an enforceable right to the payment for the performance completed year to date, or the customer obtains control of a service and has the ability to direct the use and obtain the benefit from the service.

The Company's primary service offerings include information technology consulting services and operations solutions. Consulting services are generally provided on either a time-and-material basis or as fixed price contract basis. Revenue from time-and-material contracts is recognized as hours are delivered and direct expenses are incurred. Revenue from fixed-price-contracts is recognized under the percentage of completion method, whereby revenue is recognized based on hours incurred to date as a percentage of the total estimated costs of hours to fulfill the contract.

Revenue from operation solutions is recognized over time in the period the solutions are provided, which will either be based on output measures or using the straight-line-method over the term of the contracts.

Licence and royalty income is recognised at the time where the underlying transaction was performed.

Other external expenses

Other external expenses comprise expenses regarding sale and administration.

Other operating income

Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

Amortisation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Completed development projects	3-15 years	0%
Concessions, patents, licenses, trademarks and other similar rights	3-5 years	0%
Goodwill	3-10 years	0%
Properties	50 years	0%
Plant and machinery	2-5 years	0%
Other fixtures and fittings, tools and equipment	3-10 years	0%
Leasehold improvements	10-30 years	0%

Land is not amortised.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Accounting Policies

Useful life and residual values are yearly reassessed.

Income from equity investments in group enterprises and associates

Income from equity investments comprises dividends received from group enterprises and associates in so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity. The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance Sheet

Intangible assets

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

An impairment test of goodwill is performed in the event of indications of a decrease in value. The impairment test is performed for the activity or the business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable amount) in the event that this one is lower than the carrying amount.

Other intangible assets, including licences and acquired rights etc., are measured at cost less accumulated amortisation and impairment losses.

Clearly defined and identifiable development projects where the technical rate of utilisation, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the Income Statement as they incur.

Development costs are calculated at the costs directly incurred and a share of the costs attributable to the individual development projects.

An impairment test of acquired intangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Accounting Policies

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Equity investments in group enterprises and associates

Equity investments in group enterprises and associates are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realisable value, a write-down to this lower value will be performed.

Deposits

Deposits are recognised in the balance sheet at amortized cost.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

Construction contracts

Construction contracts in progress are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the balance sheet date and the estimated total income from the individual work in progress. The stage of completion is determined on the basis of costs incurred in relation to expected total costs.

Deduction for loss is determined as the total expected contract loss, irrespective of the share actually performed.

The value of the individual supplies in progress less invoicing on account is classified as receivables if the amounts are positive and as payables if the amounts are negative.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Prepaid costs

Prepaid costs recognised in assets comprises prepaid and accrued costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognised as a separate item in equity.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at

Accounting Policies

which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realisable value.

Financial liabilities

Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Lease commitments

Lease commitments are measured at the present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the individual leases.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Deferred income

Deferred income entered as liabilities consist of payments received regarding income to be recognised in the subsequent financial years, when the revenue recognition criteria are met.

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Explanation of financial ratios

Key figures and financial ratios are determined based on "Recommendations & Financial Ratios" issued by the Danish Society of Financial Analysts.

Income Statement

	Note	2018/19 kr.	2017 kr.
Revenue	1	6.003.808.372	5.192.299.231
Other operating income		1.687.500	1.551.200
Other external expenses	2	-3.751.740.846	-2.650.214.916
Staff expenses	2, 3	-2.150.169.197	-2.004.208.374
Depreciation, amortisation expense and impairment losses		-300.049.925	-249.625.016
Profit from ordinary operating activities		-196.464.096	289.802.125
Financial income	4	12.931.564	10.059.186
Finance expenses	5	-71.068.673	-46.027.518
Profit from ordinary activities before tax		-254.601.205	253.833.793
Tax expense on result before tax	6	16.005.473	-76.310.557
Profit		-238.595.732	177.523.236
Proposed distribution of results	7		
Transferred to reserve for development costs		104.142.328	139.900.000
Retained earnings		-342.738.060	37.623.236
Distribution of profit		-238.595.732	177.523.236

Balance Sheet as of 31 March

	Note	2019 kr.	2017 kr.
Assets			
Completed development projects	8	658.069.626	170.007.841
Software	9	66.794.998	99.662.146
Customer relationships	10	13.779.579	26.455.549
Goodwill	11	167.212.490	201.131.833
Development projects in progress	12	79.708.498	521.253.410
Intangible assets		985.565.191	1.018.510.779
Land and buildings		52.203.770	56.326.663
Plant and machinery	14	6.785.512	28.120.547
Fixtures, fittings, tools and equipment	15	10.551.393	17.168.866
Leasehold improvements	16	42.567.124	38.953.407
Property, plant and equipment		112.107.799	140.569.483
Long-term investments in group enterprises	17, 18	1.412.755.270	1.410.881.790
Deposits		39.865.032	43.722.232
Investments		1.452.620.302	1.454.604.022
Fixed assets		2.550.293.292	2.613.684.284
Inventories		2.914.074	4.061.873
Short-term trade receivables		590.316.510	730.190.578
Contract work in progress	19	89.170.593	118.600.120
Short-term receivables from group enterprises		241.624.680	44.954.451
Other short-term receivables		19.876.826	37.422.049
Prepaid costs	20	133.642.208	68.791.728
Receivables		1.074.630.817	999.958.926
Cash and cash equivalents		22.551.972	0
Current assets		1.100.096.863	1.004.020.799
Assets		3.650.390.155	3.617.705.083

Balance Sheet as of 31 March

	Note	2019 kr.	2017 kr.
Liabilities and equity			
Share capital		240.000.000	240.000.000
Retained earnings		1.177.296.945	702.374.563
Equity		1.417.296.945	942.374.563
Provisions for deferred tax	21	13.731.815	84.514.136
Other provisions	22	166.412.367	220.200.743
Provisions		180.144.182	304.714.879
Debt to banks		0	619.626.195
Other payables		150.211.442	81.673.258
Lease commitments		53.284.400	76.929.110
Long-term liabilities other than provisions		203.495.842	778.228.563
Short-term part of long-term liabilities other than provisions		92.588.558	0
Debt to banks		0	82.543.623
Prepayments received from customers		17.634.686	29.150.749
Trade payables		912.580.380	755.944.634
Payables to group enterprises		299.646.672	120.186.118
Tax payables		49.412.484	4.006.528
Other payables		322.377.247	476.632.896
Deferred income		155.213.159	123.922.530
Short-term liabilities other than provisions		1.849.453.186	1.592.387.078
Liabilities and equity		3.650.390.155	3.617.705.083
Significant events occurring after end of reporting period	23		
Uncertainty connected with recognition or measurement	24		
Contingent liabilities	25		
Liabilities under off-balance sheet leases	26		
Related parties	27		
Fees for auditors elected on the general meeting	28		

Statement of changes in Equity

	Share capital	Reserve for Development projects	Retained earnings	Total
Equity 1 January 2018	240.000.000	319.686.880	382.687.683	942.374.563
Changes in accounting policies			-17.098.507	-17.098.507
Adjusted equity 1 January 2018	240.000.000	319.686.880	365.589.176	925.276.056
Profit (loss)		104.142.328	-342.738.060	-238.595.732
Contribution from group			730.616.621	730.616.621
Equity 31 March 2019	240.000.000	423.829.208	753.467.737	1.417.296.945

The share capital has remained unchanged for the last 5 years. The share capital comprise 1 share class.

Notes

1. Revenue

Segment information

	2018/19	2017
Local Government	3.118.162.564	2.984.299.231
Central Government	1.119.000.000	882.000.000
Business / Private	1.766.645.808	1.326.000.000
	6.003.808.372	5.192.299.231

Revenue is generated primarily within the Nordic Countries.

2. Special items

The Company has recognized the following special items during the fiscal year.

Reorganization and structural adjustments

Expenses relating to reorganization and structural adjustments primarily concern redundancy costs to employees amounting to DKK 126.8m. (2017: DKK 112.7m)

Transformation programs

Expenses relating to transformation programs primarily concern expenses associated with changing the business setup, including server and mainframe operation amounts to DKK 385.6m. (2017: DKK 57.5m)

Other

Other expenses of a special nature, including acquisition-related expenses and special compensation payments to customers as well as transaction costs in relation to the NEC takeover amounts to DKK 341.7m (2017: DKK 216.5m)

Notes

3. Employee benefits expense

	2018/19	2017
Wages and salaries	1.962.733.501	1.831.578.091
Post-employment benefit expense	177.197.595	163.662.332
Social security contributions	10.238.101	8.967.951
	2.150.169.197	2.004.208.374
<i>Hereof remuneration to management</i>		
Management	58.410.000	9.000.000
Board of directors	462.000	1.100.000
	58.872.000	10.100.000
Average number of employees	2.096	2.583

Incentive programmes

An investment program was established for the Executive Board and a number of senior employees. Investment is by means of endorsing the purchase of B and C shares in KMD Holding ApS made by three limited partnerships. As part of the acquisition by NEC of the KMD Group, the investment program has terminated.

A new investment program has been established for the Board of Directors, the Executive Board Members and Group Management in March 2019. Investment is by means of endorsing the purchase of B shares in Soleil ApS. B shares entitles the holders to a part of the value created over a 3 years period. The value created is calculated based on revenue and EBITDA multiples. Numerous provisions are attached to the investment program including a cap less than DKK 75 million for the Board of Directors and Executive Board. KMD Holding has no reimbursement obligations.

4. Finance income

	2018/19	2017
Other finance income	6.945.099	6.905.676
Other finance income from group enterprises	5.986.465	3.153.510
	12.931.564	10.059.186

5. Finance expenses

	2018/19	2017
Finance expenses arising from group enterprises	1.851.349	4.029.314
Other finance expenses	69.217.324	41.998.204
	71.068.673	46.027.518

6. Tax expense

	2018/19	2017
Current tax	49.818.733	45.110.000
Deferred tax	-65.824.206	31.200.557
	-16.005.473	76.310.557

Notes

7. Distribution of profit

	2018/19	2017
Transferred to reserve for development costs	104.142.328	139.900.000
Retained earnings	-342.738.060	37.623.236
	-238.595.732	177.523.236

8. Completed development projects

	2019	2017
Cost at the beginning of the year	372.506.186	398.140.783
Addition during the year, incl. improvements	157.914.334	14.834.899
Disposal during the year	-4.794.164	-114.128.088
Transfers during the year to other items	512.828.957	73.658.592
Cost at the end of the year	1.038.455.313	372.506.186
Depreciation and amortisation at the beginning of the year	-202.498.345	-196.780.721
Amortisation for the year	-181.482.965	-86.516.406
Impairment losses for the year		-33.329.306
Reversal of impairment losses and amortisation of disposed assets	3.595.623	114.128.088
Impairment losses and amortisation at the end of the year	-380.385.687	-202.498.345
Carrying amount at the end of the year	658.069.626	170.007.841

Development projects relates to the development and improvements of the Company's it-solutions.

Notes

9. Software

	2019	2017
Cost at the beginning of the year	222.827.554	222.827.554
Cost at the end of the year	222.827.554	222.827.554
Depreciation and amortisation at the beginning of the year	-123.165.408	-96.491.679
Amortisation for the year	-32.867.148	-26.673.729
Impairment losses and amortisation at the end of the year	-156.032.556	-123.165.408
Carrying amount at the end of the year	66.794.998	99.662.146

Booked value of leased assets amounts to DKK 54.279k (2017: DKK 73.664m)

10. Customer relationships

	2019	2017
Cost at the beginning of the year	110.296.463	119.499.928
Disposal during the year		-9.203.465
Cost at the end of the year	110.296.463	110.296.463
Depreciation and amortisation at the beginning of the year	-83.840.914	-76.154.395
Amortisation for the year	-12.675.970	-11.828.078
Reversal of impairment losses and amortisation of disposed assets		4.141.559
Impairment losses and amortisation at the end of the year	-96.516.884	-83.840.914
Carrying amount at the end of the year	13.779.579	26.455.549

11. Goodwill

	2019	2017
Cost at the beginning of the year	345.256.678	345.256.678
Cost at the end of the year	345.256.678	345.256.678
Depreciation and amortisation at the beginning of the year	-144.124.845	-96.650.571
Amortisation for the year	-33.919.343	-29.674.274
Impairment losses for the year		-17.800.000
Impairment losses and amortisation at the end of the year	-178.044.188	-144.124.845
Carrying amount at the end of the year	167.212.490	201.131.833

Notes

12. Development projects in progress

	2019	2017
Cost at the beginning of the year	521.253.410	399.162.392
Addition during the year, incl. improvements	71.284.044	195.749.610
Transfers during the year to other items	-512.828.956	-73.658.592
Cost at the end of the year	79.708.498	521.253.410
Carrying amount at the end of the year	79.708.498	521.253.410

Development projects relates to the development and improvement of existing it-solutions as well as development of new projects. The progress of the projects is as planned using the resources Management set aside. It is expected, that the projects will be sold to customers on the existing market and to new markets.

13. Land and buildings

	2019	2017
Cost at the beginning of the year	139.275.930	139.755.930
Disposal during the year		-480.000
Cost at the end of the year	139.275.930	139.275.930
Depreciation and amortisation at the beginning of the year	-82.949.267	-77.910.794
Amortisation for the year	-4.122.893	-5.240.922
Reversal of impairment losses and amortisation of disposed assets		202.449
Impairment losses and amortisation at the end of the year	-87.072.160	-82.949.267
Carrying amount at the end of the year	52.203.770	56.326.663

14. Plant and machinery

Cost at the beginning of the year	264.865.614	276.088.840
Addition during the year, incl. improvements	798.145	3.465.245
Disposal during the year	-38.541.599	-14.688.471
Cost at the end of the year	227.122.160	264.865.614
Depreciation and amortisation at the beginning of the year	-236.745.067	-235.233.084
Amortisation for the year	-14.791.898	-16.200.454
Reversal of impairment losses and amortisation of disposed assets	31.200.317	14.688.471
Impairment losses and amortisation at the end of the year	-220.336.648	-236.745.067
Carrying amount at the end of the year	6.785.512	28.120.547

Notes

15. Fixtures, fittings, tools and equipment

	2019	2017
Cost at the beginning of the year	170.620.148	176.081.172
Addition during the year, incl. improvements	4.612.355	11.342.023
Disposal during the year	-79.420	-16.803.047
Cost at the end of the year	175.153.083	170.620.148
Depreciation and amortisation at the beginning of the year	-153.451.282	-159.590.397
Amortisation for the year	-11.224.533	-10.663.932
Reversal of impairment losses and amortisation of disposed assets	74.125	16.803.047
Impairment losses and amortisation at the end of the year	-164.601.690	-153.451.282
Carrying amount at the end of the year	10.551.393	17.168.866

16. Leasehold improvements

	2019	2017
Cost at the beginning of the year	72.736.625	69.574.354
Addition during the year, incl. improvements	12.577.594	3.162.271
Cost at the end of the year	85.314.219	72.736.625
Depreciation and amortisation at the beginning of the year	-33.783.218	-27.042.438
Amortisation for the year	-8.963.877	-6.740.780
Impairment losses and amortisation at the end of the year	-42.747.095	-33.783.218
Carrying amount at the end of the year	42.567.124	38.953.407

Notes

17. Long-term investments in group enterprises

	2019	2017
Cost at the beginning of the year	1.410.881.790	1.261.200.611
Addition during the year, incl. improvements	1.873.480	151.500.000
Disposal during the year		-1.818.821
Cost at the end of the year	1.412.755.270	1.410.881.790
 Carrying amount at the end of the year	 1.412.755.270	 1.410.881.790

18. Disclosure in long-term investments in group enterprises and associates

Group enterprises - Denmark

Name	Registered office	Share held in %	Equity	Profit
Edlund A/S	Frederiksberg, Denmark	100,00	40.819	-6.407
UV Data A/S	Nørresundby, Denmark	100,00	80.932	25.826
KMD Venture A/S	Ballerup, Denmark	100,00	799	-4.912
Scan Jour A/S	Ballerup, Denmark	100,00	5.992	878
Charlie Tango A/S	Copenhagen, Denmark	100,00	-2.391	-10.708
			126.151	4.677

Group enterprises - other countries

Name	Registered office	Share held in %	Equity	Profit
KMD Poland sp. z.o.o.	Warsaw, Poland	100,00	33.391	11.414
BanqSoft AS	Oslo, Norway	100,00	22.080	3.046
KMD Australia Pty Ltd.	Brisbane, Australia	100,00	391	397
			55.862	14.857

Notes

19. Contract work in progress

	2019	2017
Sales value of work	305.645.112	378.100.120
Progress billings on contracts in progress	-216.474.519	-259.500.000
Net value of contract work	89.170.593	118.600.120

20. Prepaid costs

Prepaid costs mainly relate to costs relating to third-party service contracts relating to software, maintenance and consulting.

21. Provisions for deferred tax

	2019	2017
Intangible assets	160.600.461	155.433.115
Property, plant and equipment	-22.531.960	-20.754.306
Provisions	-88.385.686	-50.174.673
Current assets	-35.951.000	0
Balance at the end of the year	13.731.815	84.504.136

22. Other provisions

Provisions relate essentially to expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

23. Significant events occurring after end of reporting period

There have been no significant events after the reporting period with a material impact on the Company's financial position as of 31 March 2019.

Notes

24. Significant Accounting Assessments and Estimates

Accounting estimates

Application of the percentage of completion method

Management makes significant accounting assessments in connection with revenue recognition. If a project is customized to a high degree, revenue relating to projects in progress is recognized under the percentage of completion method, corresponding to the selling price of the work carried out based on the stage of completion. If a project does not qualify for recognition under the percentage of completion method, revenue is not recognized until risk is transferred to the purchaser. Delays, etc. can cause significant fluctuations in the timing of the Group's recognition of revenue and thus earnings relative to expectations.

Estimation uncertainties

Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions concerning future events. The estimates made are based on historical experiences and other factors that Management considers appropriate in the circumstances, but that by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously because of changes in the circumstances that formed the basis of the previous estimates or based on new knowledge or subsequent events.

Impairment of assets

Goodwill

In performing the annual impairment test, if required, an estimate is made as to whether the individual parts of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other necessary investments. The estimate of future net cash flows is based on budgets and business plans for the coming year and projections for subsequent years. Key parameters are revenue development, profit margin, investments in net working capital and growth expectations for the years ahead. Budgets and business plans for the coming year are based on concrete future business measures, with risks in the key parameters being assessed and recognized in the future expected cash flows. Projections beyond this first year are based on general expectations and risks. The discount rates used to calculate the recoverable value are before tax and reflect the risk-free interest plus specific risks in the individual business areas.

Development costs

Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects. In the case of development projects in progress, an impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus interest rate and other risks. For KMD, the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values, including developments in technologies and interest rates.

Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated based on the direct and indirect expenses incurred in relation to the expected total expenses. Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

Provisions

Provisions essentially relate to the most significant expected expenses in connection with customer projects and legal cases. There is some uncertainty regarding the size of the actual amounts and the time they fall due.

Notes

25. Contingent liabilities

The Company is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, Management does not consider that they will have a material impact on the Company's results or financial position.

KMD A/S is jointly taxed with the other Danish companies in the KMD Holding Group. The joint taxation also covers withholding tax in the form of tax on dividends, royalties and interest. The Danish companies are jointly and severally liable for the joint taxation. Any subsequent corrections to the taxable income subject to joint taxation or withholding taxes may lead to a higher liability.

KMD has entered into an agreement with KL (Local Government Denmark) concerning regulation of price development and service level for certain IT systems critical in relation to local governments' administration of legislation in the welfare area.

26. Liabilities under leases

DKK millions	2019	2017
Rental commitments due within 1 year	75.5	88.6
Rental commitments due within 2 to 5 years	288.0	369.3
Rental commitments due after 5 years	435.2	589.1
Total	798.7	1,047.0

Rental commitments relate primarily to properties where contracts have been entered into that are non-cancelable. The longest running contracts terminates in March 2035.

DKK millions	2019	2017
Other commitments due within 1 year	172.1	311.3
Other commitments due within 2 to 5 years	445.2	628.8
Other commitments due after 5 years	0.0	37.0
Total	617.3	971.0

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

Notes

27. Related Parties

The company's related parties are:	Domicile	Relationship	Ownership
NEC Corporation	Tokyo, Japan	Shareholder in Soleil ApS	85%
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services	Tokyo, Japan	Shareholder in Soleil ApS	15%
Soleil ApS	Ballerup, Denmark	Shareholder in KMD Holding ApS	100%
KMD Holding ApS	Ballerup, Denmark	Shareholder in AI Keyemende 2 ApS	100%
AI Keyemende 2 ApS	Ballerup, Denmark	Shareholder in AI Keyemende 3 ApS	100%
AI Keyemende 3 ApS	Ballerup, Denmark	Shareholder in KMD Holdco 4 A/S	100%
KMD Holdco 4 A/S	Ballerup, Denmark	Shareholder in KMD A/S	100%
Edlund A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
UVdata A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
KMD Poland sp. z o.o.	Warszawa, Poland	Subsidiary of KMD A/S	100%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100%
Banqsoft AB	Stockholm, Sweden	Subsidiary of Banqsoft AS	100%
Banqsoft OY	Esbo, Finland	Subsidiary of Banqsoft AS	100%
Banqsoft sp. z o.o.	Warszawa, Poland	Subsidiary of Banqsoft AS	100%
KMD Venture A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Scan Jour A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100%
KMD Australia Pty. Ltd.	Brisbane, Australia	Subsidiary of KMD A/S	100%
Legacy ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Kompis Holding ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Code Creation IVS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
KUBO Robotics ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Relabee ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%
Goldstation Digital ApS	Copenhagen, Denmark	Associated company to KMD Venture A/S	<50%

Notes

The KMD Group was acquired by NEC Corporation on the 21st February 2019. Due to the change in ownership, the following entities have been considered related parties in the period 1 January 2018 until 21st February 2019 due to their direct ownership of KMD Holding ApS.

AI Keyemde & Cy SCA, AI Keyemde B K/S, AI Keyemde B2 K/S, AI Keyemde C K/S and AI Keyemde Luxembourg C2 K/S.

Trading and balances with related parties

comprise: (DKK'000)

	2018/19	2017
Sale of goods and services	38,000	16,100
Purchase of goods and services, Group enterprises	365,000	232,000
Interest income, Group	3,500	3,200
Interest expense, Group	1,700	4,000
Receivables, Group	203,900	49,300
Payables, Group	84,600	120,300

Related party transactions

The Company's related parties comprise the Board of Directors, Executive Board and senior employees, and close family members of these persons.

Related parties also comprise companies in which the specified group of people have significant influence.

Remuneration of the Board of Directors and Executive Board are described in the disclosure note regarding employee benefits.

KMD Holding ApS is included as a subsidiary in the financial statements of NEC Corporation.

KMD A/S is 100% owned by KMD Holdco 4 A/S. KMD A/S is included in the consolidated financial statements of KMD Holding ApS. A copy of the consolidated financial statements is available by contacting, Group Secretariat, Lautrupparken 40, 2750 Ballerup, Denmark.

28. Fees for auditors elected on the general meeting

The Company has also decided not to disclose the fees for auditors in accordance with the Danish Financial Statements Act §96, 3. The fees for auditors is included in the consolidated financial statement for KMD Holding ApS.