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godkendt på selskabets  
generalforsamling.

Dato: 6/3-2018

Dirigent:  Jacob A. Drøhse

**KMD A/S**

# **ANNUAL REPORT 2017**

1 January 2017 – 31 December 2017

Lautrupparken 40

2750 Ballerup

Denmark

CVR no. 26 91 17 45



# CONTENTS

## MANAGEMENT'S REVIEW

### Profile

03 Welcome to KMD

### Results

04 The past year

05 Revenue and earnings

06 Financial highlights

07 Outlook

### KMD's business segments

08 Local government

09 Central government

10 Private sector

### Corporate governance

11 Corporate governance

12 Special risks

13 Control and risk management

### Strategy

14 KMD's strategy

### KMD's management

15 Boards of Directors of KMD Holding ApS  
and KMD A/S

17 KMD A/S' Executive Board  
and Group Management

## FINANCIAL STATEMENTS

### Financial statements

19 Income statement

20 Balance sheet

22 Statement of changes in equity

23 Notes to the financial statements

41 Explanation of financial ratios

### Statements

42 Statement by the Executive Board  
and Board of Directors

43 Independent auditor's report



## PROFILE

# 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 and Poland.

In 2017, KMD generated revenue of DKK 5.2 billion, and the Group currently has around 3,500 employees.

KMD is majority-owned by funds managed by private equity firm Advent International, while Danish pension fund Sampension and KMD's management hold the remainder of the Company's stock.

### Society in change

Better services for citizens. New products for customers. Rationalization of work processes. Stronger collaboration. Handling of new legislation. Better management and control tools. New types of competition. These are just some of the challenges faced by public organizations and private companies today.

More IT is obviously not the answer to everything. But digitization and digital transformation can help in meeting new requirements and addressing new challenges. So software development and digitization, which are KMD's core services, are high on the agenda in a changing society.

### KMD in change

It is not just society and KMD's customers that are changing. KMD is also changing. The strategy "KMD on more markets" means that KMD is continuously expanding its collaborations with a range of public and private companies and organizations: from the Danish local governments and regions to Danish central government and a large number of Denmark's many private companies.

At the same time, KMD is increasingly moving beyond Denmark's borders, primarily into other parts of Scandinavia. Here, one success story is KMD's subsidiary Banqsoft with its software for the financial sector.

In order to develop offerings to customers, in terms of both solutions and skills, KMD has acquired a number of companies in recent years. In 2017, Charlie Tango – formerly In2media group – became part of the KMD family.

### An attractive workplace

The KMD Group's approximately 3,500 employees are its key asset. KMD has and wants to maintain a reputation as a good, stimulating place to work. It is KMD's ambition to be one of Denmark's most attractive IT employers.



## RESULTS

# THE PAST YEAR

Across the Group, 2017 was another exciting year with a high level of activity.

In 2017, KMD grew its revenue compared with 2016 and once again delivered a reasonable profit. This was acceptable in the current market characterized by increasingly fierce competition.

In the middle of the year, KMD implemented an organizational change as part of the ongoing transformation from local government supplier to Nordic software supplier to both the private and public sectors.

KMD joint its local government business in the Local Government strategic business unit and its private sector business in the KMD Business strategic business unit.

In order to develop its offerings to customers, in terms of both solutions and skills, KMD has acquired a number of companies in recent years. In 2017, Charlie Tango – formerly In2media group – became part of the KMD Group.

The past year was also an eventful year for the respective customer segments.

New agreements were signed in all segments, and KMD launched and implemented a number of new products.

Four local governments are running KMD's job center solution KMD Momentum. A total of 37 local governments have chosen the new solution, which is the technological upgrade of the previous solutions, KMD Opera and Workbase. In the care area, KMD has been busy implementing the IT solution KMD Nexus. The first customers now have the new day care enrolment solution KMD Institution, while the City of Copenhagen has been given a new finance system based on SAP's HANA technology.

The year also brought delivery of the support systems for KOMBIT. The case gave a lot of publicity, ended with KMD and KOMBIT reaching a settlement that also included an extension of the transition agreement between KMD and the local governments. In 2017, KMD further delivered a new debtor system to ATP/UDK.

KMD signed an agreement with the Danish Ministry of Finance's Agency for Modernisation on the delivery, operation, maintenance, support and development of the state's budget system. The system will be used by all Danish ministries and agencies in Denmark.

In 2017, KMD went live with its new KMD Cloud Payroll solution, and the first private sector customer started using the system during the course of the year.

## RESULTS

## REVENUE AND EARNINGS

## Revenue

Revenue in KMD A/S increased in 2017 by 2.3%, or DKK 118 million.

Given the current market, the revenue development is considered satisfactory.

The Group's revenue comes primarily from sales of services relating to legal and administrative software and from IT outsourcing, services and project sales.

## EBITDA

EBITDA ended at DKK 540 million, a decrease of 8% compared with 2016. The reason for this was increased costs related to completing major new projects. Special items in 2017 comprised expenditure on rationalization measures related to reorganizations and structural adjustments, as well as provision for compensation payments to customers.

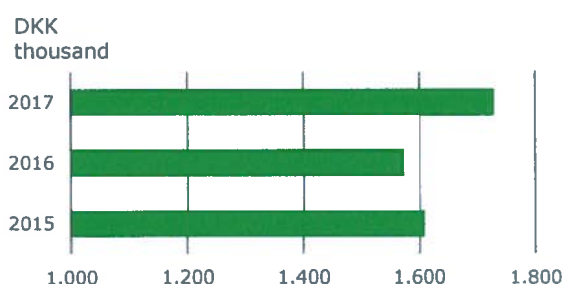
## EBITDA before special items

EBITDA before special items decreased by 9% from DKK 1,018 million in 2016 to DKK 926 million in 2017.

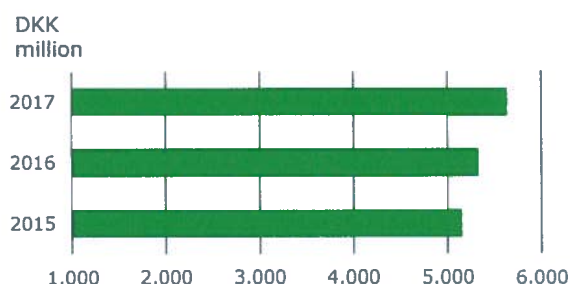
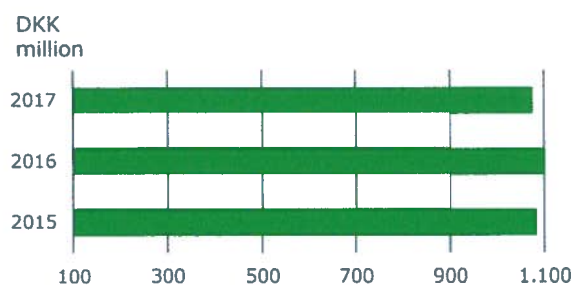
Special items totaled DKK 387 million against DKK 428 million in 2016, mainly comprising expenditure on rationalization measures and provision for compensation payments to customers.

The EBITDA margin before special items was 17.8%, slightly lower than in 2016.

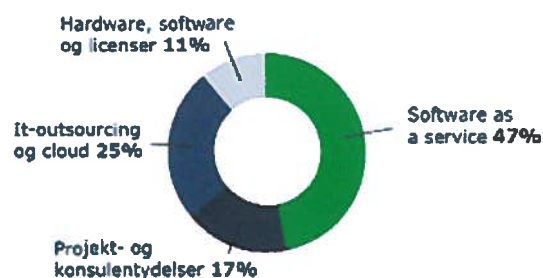
## REVENUE/AVG. NUMBER OF EMPLOYEES



## REVENUE

EBITDA  
BEFORE SPECIAL ITEMS

## REVENUE, PRODUCT SEGMENTS



## RESULTS

## FINANCIAL HIGHLIGHTS

KMD A/S

DKK MILLION

	2017	2016	2015	2014	2013
<b>INCOME STATEMENT</b>					
Revenue	5,192.3	5,073.8	5,084.5	4,798.5	4,632.4
Expenses	4,654.3	4,487.6	4,226.2	4,103.6	4,203.7
Other operating income	1.6	2.8	12.9	9.8	16.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	539.6	589.0	871.2	704.7	445.4
EBITDA before special items	926.2	1,017.5	1,039.5	991.9	843.6
Depreciation, amortization and impairment losses	249.7	248.2	199.2	568.5	371.1
Operating profit (EBIT)	289.9	340.8	665.5	136.2	74.3
Net financials	-35.8	-15.0	-5.9	2.7	-5.8
Tax	-76.4	-81.4	-160.8	-46.4	-8.7
<b>Net profit for the year</b>	<b>177.7</b>	<b>244.4</b>	<b>505.3</b>	<b>92.5</b>	<b>59.8</b>
<b>BALANCE SHEET</b>					
Total assets	3,618.2	3,706.1	2,713.6	2,343.6	2,416.2
Net interest-bearing debt	-850.1	-526.5	-48.4	160.8	162.5
Share capital	240.0	240.0	240.0	240.0	240.0
Total equity	942.6	1,164.6	920.2	814.7	720.1
<b>FINANCIAL RATIOS</b>					
EBITDA margin	10.4%	11.6%	17.1%	14.7%	9.6%
EBITDA margin before special items	17.8%	20.1%	20.4%	20.7%	18.2%
Effective tax rate	30.1%	25.0%	24.1%	33.4%	12.7%
Operating profit margin (EBIT margin)	5.6%	6.7%	13.2%	2.8%	1.6%
Solvency ratio	26.1%	31.4%	33.9%	34.8%	29.8%
Return on equity (ROE)	16.9%	23.4%	58.3%	12.1%	7.1%
<b>EMPLOYEES</b>					
Average number of full-time equivalents	2,583	2,920	3,071	2,961	2,869

## RESULTS

# OUTLOOK

### Financial outlook for 2017

The outlook for KMD A/S in 2017 was for revenue growth of 2-4%.

KMD A/S delivered total growth in revenue of 2.3%, which was in line with our expectations.

Earnings were lower than expected due to increased costs on major projects.

Despite an increase in revenue, the overall targets for earnings were not met.

### Outlook for 2018

For 2018, KMD expects revenue and EBITDA on par with 2017.

The main critical factors that could affect KMD's financial performance both positively and negatively are the development in new sales to local governments and sales to the private and central government markets.

With the new strategy in place, KMD expects to be able to retain its position as one of the largest software and IT service providers in Denmark.

### Events after the balance sheet date

There have been no events after the balance sheet date with a material impact on the Company's financial position as of 31 December 2017.

## KMD'S BUSINESS SEGMENTS

# LOCAL GOVERNMENTS & REGIONS

KMD's largest business segment focuses on Denmark's 98 local governments and five regions. This business segment accounts for 53% of revenue.

In 2017, the revenue generated by Local Governments & Regions was DKK 2,947.9 million, on par with 2016.

### KMD's business

In the middle of the year, KMD merged its organization and established the Local Government unit, which brings together KMD's software for the local government and regional area.

The vast majority of the revenue in the segment is generated through development of software, which KMD develops for a broad range of local government tasks, from management accounting to IT support for schools and eldercare.

### Events in the year

KMD is focused on being able to present coherent citizen programs as an integrated part of the citizen-centered solutions in the health, social and labor market areas.

Four local governments are running KMD's job center solution KMD Momentum, which is the first specialist local government system developed on Microsoft's Azure Cloud platform.

A total of 37 local governments have chosen the new solution, which is the technological upgrade of the previous solutions, KMD Opera and Workbase.

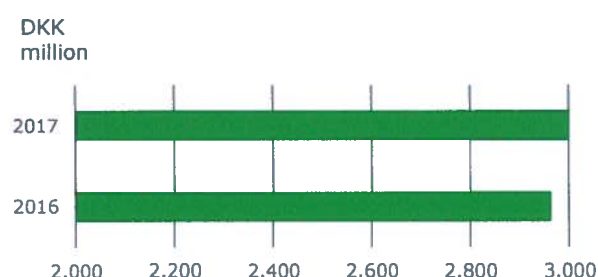
In the care area, KMD has been busy implementing the IT solution KMD Nexus, which has a broad customer base in the local government landscape. KMD Nexus currently delivers the overall platform for citizen programs in 55 local governments and two regions.

KMD now has its first two customers for the new day care enrolment solution KMD Institution, which features simple work processes and extensive automation. During next year, several local governments are expected to migrate to the new solution.

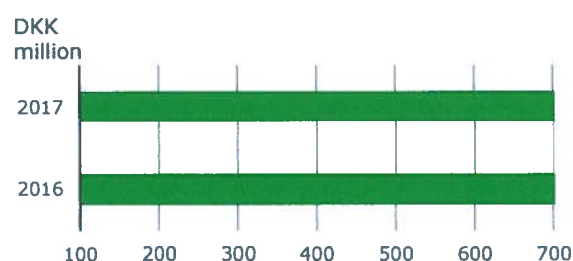
The City of Copenhagen has been given a new ERP-system based on SAP's HANA technology, while the D7 local governments in Zealand chose KMD Opus ERP and three began running it in 2017.

The year also brought handover of the support systems for KOMBIT. The case, which received a lot of publicity, ended with KMD and KOMBIT reaching a settlement that included a delivery plan for the support systems and the new local government sickness benefit system as well as an extension of the transition agreement between KMD and the local governments. In 2017, KMD also delivered ATP/UDK's new debtor system as part of the monopoly break-up.

### REVENUE, LOCAL GOVERNMENTS & REGIONS



### EBITDA BEFORE SPECIAL ITEMS, LOCAL GOVERNMENTS & REGIONS



### KMD'S SOFTWARE AND SERVICE AREAS

- Labor market
- Children and education
- Social and health
- Benefits
- Finance
- HR, payroll and personnel
- Analysis and data
- Property management
- Productivity and collaboration
- Case and document handling
- IT operations and outsourcing
- IT security
- Networks and infrastructure



## KMD'S BUSINESS SEGMENTS

## CENTRAL GOVERNMENT

KMD has a considerable amount of business in the Central Government segment, which currently accounts for 20% of the Group's revenue.

In 2017, KMD generated revenue of DKK 1,091 million in the segment, an increase of 8% compared with 2016.

## KMD's business

The majority of the revenue in the segment is generated through software sales and tender projects relating to the development and maintenance of IT solutions.

As an example, KMD assists with the development of specialist systems for the ministries, the upgrading of central government platforms and the use of data cross-organizationally to create an easily accessible decision-making basis at all levels.

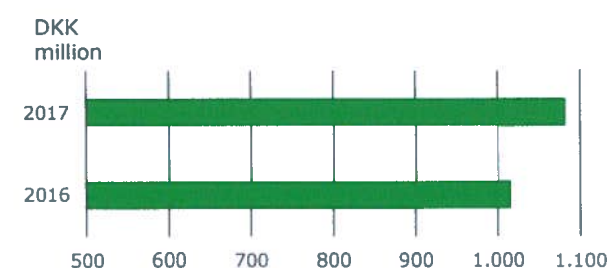
## Events in the year

KMD signed an agreement with the Danish Ministry of Finance's Agency for Modernisation on the delivery, operation, maintenance, support and development of the state's budget system. The system will be used by all Danish ministries and agencies in Denmark.

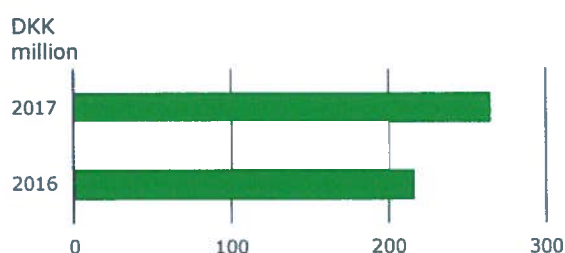
At the start of 2017, KMD signed an agreement with SKAT (the Danish Tax and Customs Administration) on the operation, support, maintenance and development of the IT system Skattekontoen (the Tax Account). This is a key collection system that functions as a central element of the tax system. KMD delivered the solution at the end of the year.

A number of agreements were also signed with various agencies during the year. The Danish Medicines Agency, for example, extended an operating agreement with KMD, and the parties also signed an agreement covering maintenance and development of applications at the agency.

## REVENUE, CENTRAL GOVERNMENT



## EBITDA BEFORE SPECIAL ITEMS, CENTRAL GOVERNMENT



## KMD'S SOFTWARE AND SERVICE AREAS

- \_ Finance
- \_ HR, payroll and personnel
- \_ Analysis and data
- \_ Property management
- \_ Enterprise content management
- \_ Productivity and collaboration
- \_ Case and document handling
- \_ Application management
- \_ IT operations and outsourcing
- \_ IT security
- \_ Networks and infrastructure
- \_ Hardware, software and licenses

## KMD'S BUSINESS SEGMENTS

## PRIVATE SECTOR

Over the years, KMD has increasingly expanded its business with the private sector.

The Private Sector segment currently accounts for 17% of revenue.

In 2017, KMD generated revenue of DKK 1,126.0 million in the segment, on par with 2016.

**KMD's business**

In the middle of the year, KMD adjusted its organization and established the KMD Business unit, which brings together KMD's software and services for the private sector.

The establishment of KMD Business means that, going forward, KMD can offer private sector customers an even more dedicated and comprehensive approach to their business.

KMD Business mainly delivers software and services within the banking and finance, insurance and pension, and utility sectors.

In 2017, Charlie Tango – previously In2media group – also became part of the KMD Group, enabling KMD to offer a range of services within customer experience management and customer communication management.

**Events in the year**

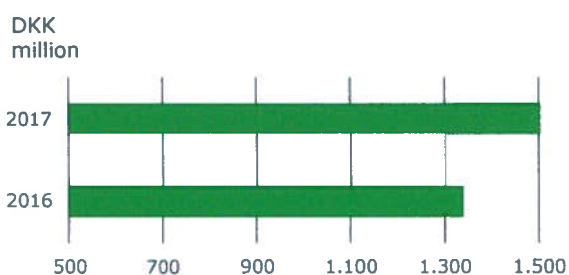
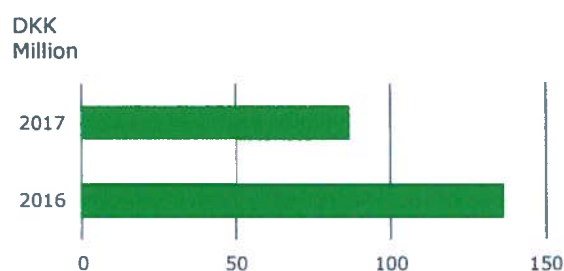
For many years, KMD has been a major player within payroll and HR systems for the private sector. In 2017, KMD went live with its new KMD Cloud Payroll solution, and the first customer started using the system during the course of the year.

Business intelligence and Analytics is also a focus area for KMD in the private sector segment. Among other things, KMD has an increasing involvement in sports and data. For instance, this year KMD entered into a development collaboration with the handball club FCM.

In 2017, KMD also renewed its operating agreement with e-Boks, the online digital mailbox service. The agreement cements an excellent, enduring collaboration between the two parties.

The year was also a busy one for KMD's subsidiary Edlund, which, together with KMD, is making good progress with implementing a new industry solution in collaboration with pension provider PenSam.

Banqsoft's new customers in 2017 included the Finnish banking and insurance company LähiTapiola, the Finnish division of Norwegian bank Instabank and Optin Bank in Norway.

**REVENUE, PRIVATE SECTOR****EBITDA BEFORE SPECIAL ITEMS, PRIVATE SECTOR****KMD'S SOFTWARE AND SERVICE AREAS**

- \_ Banking and finance
- \_ Energy and utilities
- \_ Life insurance and pensions
- \_ Payroll and HR
- \_ ERP
- \_ Business intelligence and analytics
- \_ Financial management
- \_ Procurement
- \_ Mobile solutions
- \_ CRM
- \_ CMS
- \_ Customer experience management
- \_ Customer communication management
- \_ IT operations and outsourcing
- \_ IT security
- \_ Networks and infrastructure
- \_ Hardware, software and licenses

## CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

The Boards of Directors and Executive Boards of the Group enterprises are responsible for ensuring that their respective enterprises' management structures and control systems are appropriate and function satisfactorily. The basis for the Managements' work includes the Danish Companies Act, the Danish Financial Statements Act, the enterprises' bylaws and rules of procedure, and good practice for enterprises of the same size as the KMD Group.

Management's Review has been drawn up based on the Danish Venture Capital and Private Equity Association's guidelines for active ownership and transparency in private equity funds (see [www.dvca.dk](http://www.dvca.dk)).

### Ownership and capital structure

As of 31 December 2017, the entire share capital of DKK 240 million (240,000 shares) in KMD A/S was owned by the parent company KMD Holdco 4 A/S.

All the other companies in the KMD Group – with the exception of KMD Holding ApS – are also 100% owned by their parent company. KMD Holding ApS is owned by AI Keyemde & Cy SCA and the limited partnerships AI Keyemde B K/S, AI Keyemde B2 K/S, AI Keyemde C K/S and AI Keyemde Luxembourg C2 K/S.

### Dividend

In 2017, DKK 400 million was distributed by KMD A/S as an extraordinary dividend.

### The work of the Board of Directors

Jens Due Olsen, who has been a member of KMD's Board of Directors since 2016, became Chairman on 1 September 2017. He replaced Léo Apotheker, who remains a board member.

The Boards of Directors of KMD Holding ApS, the other three holding companies and the operating company KMD A/S each held between six and 12 meetings in 2017. The other subsidiaries held board meetings as required and commensurate with their levels of activity.

### Remuneration of the Executive Board and Board of Directors

Total remuneration of DKK 10.3 million was paid to the Executive Board and Board of Directors in 2017. See Note 5 to the financial statements for further information.

### Statement regarding corporate social responsibility

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, cf. Sections 99a and 99b of the Danish Financial Statements Act, can be found on KMD's website: [www.kmd.net/CSRreport2017](http://www.kmd.net/CSRreport2017).

## CORPORATE GOVERNANCE

# SPECIAL RISKS

### 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 September 2016, KMD A/S, as part of a consortium with CapGemini Sogeti Danmark A/S, was sued by SKAT (the Danish Tax and Customs Administration) for DKK 693 million plus penalty interest. The case concerns the provision of the EFI tax recovery system.

KMD A/S fully rejects the claims that have been brought, but has nevertheless made a provision to cover the compensation that the Company estimates SKAT might be awarded if the courts were to broadly uphold the claims.

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 881 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.



## CORPORATE GOVERNANCE

# CONTROL AND RISK MANAGEMENT

KMD has established a number of control and risk management systems in connection with financial reporting. The control and risk management systems established are improved continuously and are designed to ensure that errors and irregularities are detected and corrected in time.

### Control environment

Responsibilities and authorities are defined in the Board of Directors' instructions for the Executive Board, policies, procedures and codes. Systems have been established to ensure correct segregation of duties in the accounting department. The organizational structure and the internal guidelines define the control environment in conjunction with laws and other rules and regulations.

### Risk evaluation

Calculation of a number of items in the financial reporting is based on estimates, some of which are generated through processes based on complex assumptions. The ongoing process for risk assessment of contracts and projects in progress identifies these items, and the scope of the risks associated with them is determined by the controllers responsible for the business in close collaboration with the accounting department.

### Control activities

The control activities are integrated into KMD's accounting and reporting procedures, and include procedures for certification, authorization, approval, reconciliation, analysis of results and separation of incompatible functions.

### Information and communication

KMD maintains information and communication systems to ensure that the financial reporting is reliable and complete. KMD's bookkeeping rules and procedures for financial reporting are set out in an accounting manual.

### Monitoring

KMD uses a comprehensive enterprise system to monitor the Company's results, making it possible to detect and correct any errors and omissions in the financial reporting at an early stage, including weaknesses in internal controls and non-compliance with procedures and policies.

## STRATEGY

# KMD'S STRATEGY

KMD is running the business in accordance with the growth strategy covering the period through 2022, "KMD on more markets."

KMD's strategy involves maintaining the present strong market position in the Danish local governments as well as increasing market share within software for the private sector and central government institutions across the Nordic market.

### Strategy 2022

"KMD on more markets" operates with three main focus areas:

- \_ KMD must strengthen its engagement in new market segments. KMD has a clear growth strategy for the public and private sectors, focusing on better balance and a broader market footprint.
- \_ KMD must maintain a continuous focus on customer satisfaction. Customers should continue to develop their engagement with KMD and recommend the Company to others.
- \_ KMD must be more efficient. KMD maintains its cost focus to make the business as competitive as possible.

### Events in the year

In the middle of the year, KMD implemented an organizational change as part of the ongoing transformation from local government supplier to Nordic software supplier to both the private and public sectors.

KMD brought together its local government business in the Local Government strategic business unit and its private sector business in the KMD Business strategic business unit. KMD Business has acquired its own separate visual identity to highlight the ambitions within the segment.

KMD's strategy in the private sector market is that the activities within the financial vertical in particular should be increased and assume increasing importance for KMD's business. The development will take place across the Group in close collaboration with the subsidiaries.

In order to develop KMD's offerings to customers, in terms of both solutions and skills, in recent years KMD has acquired a number of companies. In 2017, Charlie Tango – previously In2media group – became part of the KMD Group. Charlie Tango adds technological, digital and creative competencies that address the growing demand within digital transformation.

## BOARD OF DIRECTORS

# THE BOARD OF DIRECTORS OF KMD HOLDING APS AND KMD A/S

### Chairman

JENS DUE OLSEN

Born 1963

Professional board member

MSc Economics, University of Copenhagen

Member of the boards of KMD Holding ApS and KMD A/S since 2016

#### Other positions:

Chairman, NKT and BørneBasketFonden

Vice Chairman, PFA Pension A/S

Director, Auriga Industries A/S, Bladt Industries A/S,

Heptagon Advanced Micro Optics Inc., Pierre.dk A/S,

Cryptomathic A/S, Gyldendal A/S, Royal Unibrew A/S

and Auris Luxembourg III S.A.

#### Independence:

Considered independent of the KMD Group.

### Board members

LÉO APOTHEKER

Born 1953

Professional board member

BA Economics & International Relations, Hebrew

University, Jerusalem

Member of the boards of KMD Holding ApS and KMD A/S since 2012.

#### Other positions:

Chairman, Unit4

Vice chairman, Schneider Electric SA

#### Independence:

Considered independent of the KMD Group.

JOHN WOYTON

Born 1978

Managing Director, Advent International

BSc Economics, London School of Economics

Member of the boards of KMD Holding ApS and KMD A/S since 2012

#### Other positions:

Member of the board of Unit4 and FinancialForce

#### Independence:

Not considered independent of the KMD Group due to his employment with Advent International.

THOMAS WEISMAN

Born 1980

Director, Advent International

Bachelor of History & Literature, Harvard University

Member of the boards of KMD Holding ApS and KMD A/S since 2017

#### Other positions:

Member of the board of Idemia

#### Independence:

Not considered independent of the KMD Group due to his employment with Advent International.

MICHAEL CHRISTIANSEN

Born 1945

Professional board member

LLB, University of Copenhagen

Member of the boards of KMD Holding ApS and KMD A/S since 2010

#### Other positions:

Chairman, DR, Dansk Retursystem A/S, Aarhus

University, Kraft & Partners A/S, Lead Agency A/S

and SHL A/S

Director, Norwegian Opera and Ballet, Royal Opera

in Stockholm, CEJ A/S and Capnova A/S

#### Independence:

Considered independent of the KMD Group.

MORTEN HÜBBE

Born 1972

Group CEO, Tryg

BA Business, Language and Culture and MSc Financing

and Accounting, Copenhagen Business School;

Executive Leadership Program at the Wharton School,

University of Pennsylvania

Member of the boards of KMD Holding ApS and KMD A/S since 2015

#### Other positions:

Director, Tryg Ejendomme A/S, Ejendomsselskabet af

8. maj 2008 A/S and Tjenestemændenes Forsikring

#### Independence:

Considered independent of the KMD Group.

## BOARD OF DIRECTORS

### ELSE BERGMAN

Born 1954

Technical consultant, KMD A/S

Employed at KMD since 1980

Member of the board of KMD A/S since 2012

#### Other positions:

Employee representative, KMD

#### Independence:

Not considered independent as employed in the Group.

### KIM SKOVGAARD

Born 1962

Service consultant, KMD A/S

Employed at KMD since 1987

Member of the board of KMD A/S since 2014

#### Other positions:

Employee representative, KMD

#### Independence:

Not considered independent as employed in the Group.

### THOMAS BISBALLE

Born 1970

Process operator, KMD A/S

Employed at KMD since 2004

Member of the board of KMD A/S since 2014

#### Other positions:

Employee representative, KMD

Working environment representative, KMD

Chairman, Samdata\HK (Union of Commercial and Clerical Employees in Denmark)

#### Independence:

Not considered independent as employed in the Group.

The boards of directors of other subsidiaries are listed by those enterprises.



## **DIRECTION**

# EXECUTIVE BOARD AND SENIOR MANAGEMENT OF KMD A/S

### **Executive Board**

EVA BERNEKE  
CEO

JANNICH KIHOLM LUND  
CFO

### **Business management**

OLE N.J. JENSEN  
Executive Vice President, Cases & Benefits

METTE LOUISE KAAGAARD  
Executive Vice President, Local Government

HELLE HUSS  
Executive Vice President, KMD Business

SØREN AMUND HENRIKSEN  
Executive Vice President, Central Government

PER JOHANSON  
Executive Vice President, Financial Services Industry

THOMAS FLARUP  
Executive Vice President, Software Center

LARS-HENRIK JESSEN  
Executive Vice President, Operations

### **Functions**

BETINA HAGERUP  
Executive Vice President, Strategy, Technology  
& Communication

PETER ALBRECHTSEN  
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# FINANCIAL STATEMENTS

## **Financial statements**

- 19 Income statement
- 20 Balance sheet
- 22 Statement of changes in equity
- 23 Notes to the financial statements
- 41 Explanation of financial ratios

## **Statements**

- 42 Statement by the Executive Board and Board of Directors
- 43 Independent auditor's report

## FINANCIAL STATEMENTS

## INCOME STATEMENT

## DKK MILLION

Note		2017	2016
3	Revenue	5,192.3	5,073.8
4	Other external costs	2,650.1	2,437.7
5	Staff costs	2,004.2	2,049.9
	Other operating income	1.6	2.8
	<b>Earnings before tax, interest, depreciation and amortization (EBITDA)</b>	<b>539.6</b>	<b>589.0</b>
10,11	Depreciation, amortization and impairment losses	249.7	248.2
	<b>Operating profit (EBIT)</b>	<b>289.9</b>	<b>340.8</b>
7	Financial income	10.2	11.9
8	Financial expenses	46.0	26.9
	<b>Earnings before tax (EBT)</b>	<b>254.1</b>	<b>325.8</b>
9	Tax on profit for the year	76.4	81.4
	<b>Net profit for the year</b>	<b>177.7</b>	<b>244.4</b>
	Allocated as follows:		
	Dividend	0.0	0.0
	Retained earnings	177.7	244.4
	Extraordinary dividend distributed	400.0	0.0

## FINANCIAL STATEMENTS

## BALANCE SHEET AT 31 DECEMBER

## ASSETS

DKK MILLION

Note		2017	2016
<b>NON-CURRENT ASSETS</b>			
	Customer relationships	26.4	43.3
	Rights	99.6	126.3
	Goodwill	201.1	248.6
	Completed development projects	170.0	201.4
	Development projects in progress	521.3	399.2
10	<b>Intangible assets</b>	<b>1,018.4</b>	<b>1,018.8</b>
	Land and buildings	56.4	61.8
	Leasehold improvements	39.0	42.5
	Plant and machinery	28.1	40.9
	Fixtures, operating equipment and vehicles	17.2	16.5
11	<b>Property, plant and equipment</b>	<b>140.7</b>	<b>161.7</b>
12	Equity investments in subsidiaries	1,410.9	1,261.2
	Deposits	43.7	44.2
	<b>Other non-current assets</b>	<b>1,454.6</b>	<b>1,305.4</b>
	<b>Total non-current assets</b>	<b>2,613.7</b>	<b>2,485.9</b>
<b>CURRENT ASSETS</b>			
	Inventories	4.1	3.5
	Trade receivables	725.9	834.9
	Receivables from Group enterprises	49.3	104.4
13	Contract work in progress	118.6	118.2
	Other receivables	37.0	25.4
14	Prepayments	68.8	39.6
	Derivative financial instruments	0.8	2.2
	Cash	0.0	92.0
	<b>Total current assets</b>	<b>1,004.5</b>	<b>1,220.2</b>
	<b>Total assets</b>	<b>3,618.2</b>	<b>3,706.1</b>



## FINANCIAL STATEMENTS

## BALANCE SHEET AT 31 DECEMBER

## EQUITY AND LIABILITIES

DKK MILLION

Note		2017	2016
<b>EQUITY</b>			
15	Share capital	240.0	240.0
	Hedging reserve	0.0	-0.3
	Reserve for development projects	319.7	179.8
	Retained earnings	382.9	745.1
	Proposed dividend	0.0	0.0
	<b>Total equity</b>	<b>942.6</b>	<b>1,164.6</b>
<b>LIABILITIES</b>			
9	Provision for deferred tax	84.5	55.9
16	Provisions	10.3	10.0
	Other payables	81.7	34.7
	Credit institutions	696.6	582.2
	<b>Non-current liabilities</b>	<b>873.1</b>	<b>682.8</b>
	Credit institutions	82.5	26.8
	Prepayments from customers	29.2	27.6
	Trade payables	749.9	667.3
	Payables to Group enterprises	120.3	127.4
18	Other payables	472.7	580.6
	Derivative financial instruments	0.0	0.0
	Corporation tax payable	4.0	71.0
16	Provisions	220.2	241.1
	Deferred income	123.7	116.9
	<b>Current liabilities</b>	<b>1,802.5</b>	<b>1,858.7</b>
	<b>Total liabilities</b>	<b>2,675.6</b>	<b>2,541.5</b>
	<b>Total equity and liabilities</b>	<b>3,618.2</b>	<b>3,706.1</b>

## FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY

DKK MILLION

	Share capital	Hedging reserve	Retained earnings	Reserve for development projects	Proposed dividend	Total
Equity at 1 January 2017	240.0	-0.3	745.1	179.8	0.0	1,164.6
Net profit for the year			177.7			177.7
Value adjustment of hedging transactions before tax		0.3				0.3
Tax effect of hedging transactions		0.0				0.0
Capitalized development costs			-139.9	139.9		0.0
Extraordinary dividend			-400.0		400.0	0.0
Dividend paid					-400.0	-400.0
Proposed dividend to shareholders						0.0
<b>Equity at 31 December 2017</b>	<b>240.0</b>	<b>0.0</b>	<b>382.9</b>	<b>319.7</b>	<b>0.0</b>	<b>942.6</b>

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

- 01\_Accounting policies
- 02\_Significant accounting assessments and estimates
- 03\_Segment information
- 04\_Audit fee
- 05\_Staff costs
- 06\_Special items
- 07\_Financial income
- 08\_Financial expenses
- 09\_Tax on profit for the year
- 10\_Intangible assets
- 11\_Property, plant and equipment
- 12\_Equity investments in Group enterprises
- 13\_Contract work in progress
- 14\_Prepayments
- 15\_Share capital
- 16\_Provisions
- 17\_Non-current liabilities
- 18\_Other payables
- 19\_Contingent assets and liabilities
- 20\_Related parties
- 21\_Events after the balance sheet date
- 22\_Distribution of profits

FINANCIAL STATEMENTS || **NOTES TO THE FINANCIAL STATEMENTS****NOTE 01\_ACCOUNTING POLICIES**

The Annual Report for KMD A/S is presented in accordance with the provisions of the Danish Financial Statements Act regarding large class C enterprises.

The accounting policies applied by the Company are consistent with those used in 2016.

In 2016 KMD A/S was merged with the 100%-owned subsidiaries KMD BPO A/S, Avaleo ApS and EMT Nordic ApS. Comparative figures for 2015 and previous years have consequently been restated in accordance with the consolidated method.

Under section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared, as the Company and its subsidiaries are included in the consolidated financial statements for KMD Holding ApS.

**Exemption from presenting a cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flow is included in the consolidated cash flow statement for the parent company, KMD Holding ApS.

**Reporting currency**

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

**Foreign currency translation**

Transactions in foreign currencies are translated during the year at the rate prevailing on the transaction date. Gains and losses that arise between the rate on the transaction date and the payment date are recognized in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled on the balance sheet date are translated at the rate prevailing on the balance sheet date. The difference between the rate on the balance sheet date and the transaction date is recognized in the income statement under financial items.

**Dividends and income from equity investments in subsidiaries**

A dividend is recognized when the shareholders' entitlement to receive a dividend has been approved by the competent company bodies.

If the dividend exceeds total earnings after the acquisition date, it is recognized as a write-down of the cost of the investment.

**Derivative financial instruments**

Derivative financial contracts considered to satisfy the conditions for recognition as cash flow hedges are termed "effective," while hedging instruments not considered to satisfy these conditions are termed "ineffective."

Changes in the fair value of effective derivative financial contracts are recognized in comprehensive income and accumulated as a reserve in equity (Hedging reserve).

Changes in the fair value of ineffective derivative financial contracts are recognized directly in the income statement under financial items.

Derivative financial instruments are recognized in the balance sheet at fair value on the trade date and subsequently measured at fair value. Positive and negative fair values of derivative financial contracts are included under Other receivables and Derivative financial instruments respectively.

The fair value of derivative financial instruments is calculated using standard valuation methods for such contracts based on observable market data. The fair value of interest rate-hedging contracts is calculated as the present value of expected future cash flows.

For both effective and ineffective derivative financial contracts, the part of the fair value adjustment that can be attributed to time value is always recognized directly in the income statement.

All fair values are based on prices calculated at market value or using standard pricing models.

**Income statement****Revenue**

Income from the sale of services is recognized when the service is provided.

Income from the disposal of goods for resale is included in revenue at the time of delivery and risk transfer where the income is considered reliable. Revenue is stated net of VAT, charges and discounts.

Income from consultancy services is taken to income as the work is performed, with the revenue corresponding to the selling price of the work performed for the year.

License income is recognized when the criteria for risk transfer have been fulfilled, which is typically the same as the time of delivery.

**Other external expenses**

Other external expenses include accounting items incurred to achieve the revenue for the year, including cost of sales in connection with the disposal of goods



## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

for resale, and other external expenses for distribution, sales, advertising, administration, premises, bad debts, operating lease payments, etc.

### Other operating income and expenses

Gains and losses in connection with disposal of non-current assets are recognized under Other operating income or Other operating expenses.

### Staff costs

Staff costs cover wages, salaries and pensions paid to the Company's staff and other staff costs.

### Special items

Special items are expenses or income that cannot directly be attributed to ordinary activities. These expenses and income items comprise expenses for restructuring, fundamental structural adjustments and adjustment of provision for special compensation payments to customers. They are therefore disclosed in a note to provide a more comparable basis for assessing the underlying business.

### Share-based payment

Share options are measured at the fair value of the granted share options at the grant date minus any amount paid by the employees. If the fair value exceeds the amount paid by the employees, the excess amount is considered as payment for services received from employees. The excess amount is therefore recognized in the income statement under staff costs over the period in which the final entitlement to the options is earned. The set-off is recognized directly in equity in the case of equity-settled schemes.

### Financial items

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items cover interest income and expenses, share dividends, financial expenses in connection with finance leases, realized and unrealized exchange gains and losses relating to securities and transactions in foreign currencies, amortization of exchange losses, and borrowing costs. Borrowing costs that can be attributed directly to purchase, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset that it necessarily takes a significant period to make ready for its intended use or sale.

### Tax

Tax on the profit for the year comprises current tax and deferred tax for the year, the effect on deferred tax of changes in tax rates, and prior-year adjustments. The part of tax for the year that can be attributed to entries made directly in the statement of comprehensive income is recognized directly therein.

Current tax is calculated at the tax rate applicable for the year. Deferred tax is calculated on the basis of the tax rules and tax rates in the respective countries that will be applicable by law on the balance sheet date where the deferred tax is expected to crystallize as current tax.

### Balance sheet

#### Intangible assets

Goodwill is recognized at cost minus any accumulated impairment losses.

Goodwill is tested for impairment each year if there are indications of a decrease in value. The impairment test is carried out for the activity or 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 value) where this is lower than the carrying amount.

Intangible assets also include acquired intellectual property rights and development projects that meet the criteria for capitalization.

Customer-related assets are measured at cost less accumulated amortization and impairment losses based on the expected consumption pattern for future economic benefits.

Development projects that are clearly defined and identifiable, where the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where the intention is to manufacture, market or use the product or process, are recognized as intangible assets where there is sufficient assurance that future earnings will cover the costs of production, sales and administrative expenses, and total development costs. Other development costs are recognized as expenses in the income statement as they are incurred.

Development costs are calculated as directly incurred expenses plus a proportion of other expenses that can indirectly be attributed to the individual development projects.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

Amortization of intangible assets excl. goodwill is carried out on a straight-line basis over a period of up to 20 years based on experience of the period of use.

The useful life of the assets is assessed and adjusted if necessary on each balance sheet date. The main amortization periods are:

Amortization period	
Acquired software rights	3-5 years
Development projects	3-15 years
Customer relationships	5-15 years
Other rights	3-20 years
Acquired software rights	3-5 years

Acquired intellectual property rights and completed development projects are tested for impairment where there are indications of a decrease in value. Development projects in progress are also subject to an annual impairment test.

The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the asset's or the asset group's value in use and net selling price (recoverable value) where this is lower than the carrying amount.

### Property, plant and equipment

Property, plant and equipment includes land and buildings, plant and machinery, and fixtures, operating equipment and vehicles. Property, plant and equipment is measured at cost plus any revaluations and minus any accumulated depreciation and impairment losses.

Property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the individual assets. The main depreciation periods are:

Depreciation period	
Land and buildings	50 years
Leasehold improvements	10-30 years
Major installations	10 years
Plant and machinery	2-5 years
Fixtures, operating equipment and vehicles	2-5 years

The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the value in use and the net selling price (recoverable value) of the asset or group of assets where this is lower than the carrying amount.

### Investments

Equity investments in subsidiaries are measured at cost less write-downs.

Loans to Group enterprises are recognized in the financial statements under Investments provided they are non-current.

### Inventories

Inventories are recognized at cost calculated on the basis of average cost. Where the cost exceeds the expected selling price minus costs of completion and sale, inventories are written down to the lower net realizable value.

### Receivables

Receivables and loans cover receivables that have arisen in connection with sales. Such receivables are classified as current with the exception of the part falling due more than 12 months from the balance sheet date. The amounts are included in the items Trade receivables and Other receivables.

Receivables are recognized in the balance sheet at fair value and subsequently measured at amortized cost. In the case of current non-interest-bearing receivables and receivables at variable rates of interest, this will usually correspond to nominal value.

On each balance sheet date, the Company assesses whether there are circumstances indicating that significant individual receivables have been subject to a decrease in value. This is assessed on the basis of an age criterion and objective indications of financial problems on the part of debtors. If it is assessed that the receivable will not be paid in full, amortized cost is calculated on the basis of these expected lower payments. It is further assessed whether groups of receivables that are not significant receivables individually have been subject to a decrease in value. These receivables are then written down by group on the basis of the Company's past experiences.

### Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of the direct and indirect expenses incurred in relation to the expected total expenses.

The value of the individual items of work in progress minus invoicing on account is classified as receivables where the amounts are positive and as payables where the amounts are negative.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

### Prepayments (asset)

Prepayments recognized under assets include prepaid expenses relating to subsequent financial years and are measured at amortized cost.

### Equity

Dividends are recognized as a liability at the date of adoption by the general meeting.

### Provisions

Provisions are recognized where, as a result of an event that has occurred before or on the balance sheet date, the Company has a legal or constructive obligation and it is likely that an outflow of funds will be required to settle the liability.

### Corporation tax

Current tax liabilities are recognized in the balance sheet as tax calculated on the expected taxable income for the year, adjusted for tax on taxable income in previous years and taxes paid on account.

Deferred tax is calculated on the basis of the tax rules and tax rates in the respective countries that will be applicable by law on the balance sheet date where the deferred tax is expected to crystallize as current tax.

Changes in deferred tax as a result of changes in tax rates are recognized in the income statement, with the exception of the effect concerning items recognized in Other comprehensive income.

Provision for deferred tax is calculated on all temporary differences between carrying amount and tax base.

Deferred tax assets are recognized at the value that is expected to be utilized, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities. Deferred tax assets and liabilities are offset within the same legal tax entity and jurisdiction.

### Lease commitments

Finance lease commitments are measured at the present value of the remaining lease payments, including any guaranteed residual value based on the internal rate of interest on the individual leases.

### Financial liabilities

Financial liabilities are recognized at the time of borrowing at the proceeds received minus transaction costs incurred, and subsequently measured at amortized cost calculated on the basis of the effective rate of interest on the borrowing date.

### Deferred income (liability)

Deferred income recognized under liabilities includes payments received relating to income in subsequent years and is measured at amortized cost.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 02\_SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

In preparing KMD's annual report, the Company's Management makes a number of accounting assessments and estimates that form the basis for recognition and measurement of the Company's assets and liabilities. The most important accounting assessments and estimates are set out below. The accounting policies are described in detail in Note 1.

**Accounting assessments****Acquisition of enterprises**

On acquisition of enterprises, the Company's Management assesses whether, for accounting purposes, it is acquiring an enterprise or individual assets and liabilities. The assessment is based on whether the acquired enterprise constitutes integrated activities or assets.

**Application of the percentage of completion method**

The Company's 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 Company'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 as a result of changes in the circumstances that formed the basis of the previous estimates or on the basis of new knowledge or subsequent events.

**Impairment of assets****Goodwill**

In performing the annual impairment test, an estimate is made as to whether the individual units 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.

The cash flows used incorporate the effect of the future risks associated with this, which is why such risks are not incorporated in the discount rates used. The carrying amount of goodwill at 31 December 2017 was DKK 201.1 million (31 December 2016: DKK 248.6 million).

**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. Completed development projects were written down for impairment by DKK 33.3 million in 2017 (2016: DKK 42.3 million). The write-downs in 2017 were a result of the closure of various software projects under development following a change of technology and consequent reassessment of future cash flows.

The carrying amount of completed development projects at 31 December 2017 was DKK 170.0 million (31 December 2016: DKK 201.4 million).

In the case of development projects in progress, an actual 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. No write-down on development projects in progress was made in 2016 or 2017.

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.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of development projects in progress at 31 December 2017 was DKK 521.3 million (31 December 2016: DKK 399.2 million).

### Consultancy services in progress

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of 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.

The carrying amount of consultancy services in progress at 31 December 2017 was DKK 118.6 million (31 December 2016: DKK 118.2 million).

### Property, plant and equipment

Impairment testing of property, plant and equipment is carried out if events or circumstances indicate the assets have been impaired.

The value in use is determined using the same method as for impairment losses relating to goodwill. Calculation of the impairment loss is therefore associated with the same degree of uncertainty for property, plant and equipment as for goodwill.

The carrying amount of property, plant and equipment at 31 December 2017 was DKK 140.7 million (31 December 2016: DKK 161.7 million). The decrease can partly be attributed to outsourcing of basic server operations.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 03\_SEGMENT INFORMATION

## DKK MILLION

	2017	2016
<b>Revenue by business segment</b>		
Local Governments & Regions	2,947.9	2,926.0
Central Government & Data	1,091.0	1,011.0
Private Sector & Infrastructure	1,126.0	1,132.0
Other	27.4	4.8
<b>Total</b>	<b>5,192.3</b>	<b>5,073.8</b>

Revenue is generated primarily within the Nordic Countries.

## NOTE 04\_AUDIT FEE

## DKK MILLION

	2017	2016
Fee to the Company's auditor, PricewaterhouseCoopers:		
Statutory audit fee	1.0	1.0
Other assurance engagements	3.7	4.9
Tax advisory services	0.8	0.7
Other services	6.8	2.3
<b>Total</b>	<b>12.3</b>	<b>8.9</b>

## NOTE 05\_STAFF COSTS

## DKK MILLION

	2017	2016
Wages, salaries and remuneration	1,831.6	1,879.0
Pensions	163.7	169.5
Other social security costs	8.9	1.4
<b>Total</b>	<b>2,004.2</b>	<b>2,049.9</b>
Board of Directors		
Remuneration	0.2	0.2
<b>Total</b>	<b>0.2</b>	<b>0.2</b>
Executive Board		
Salaries, etc.	9.0	11.0
Pensions	1.1	1.1
<b>Total</b>	<b>10.1</b>	<b>12.1</b>
<b>Average number of employees</b>	<b>2,583</b>	<b>2,920</b>



## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

An amount of DKK 91 million has been expensed in 2017 for salaries and compensation for employees who left the Company as a result of structural adjustments.

#### Share-based payment – share option program

An investment program has been 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.

The share purchases comprise 4.11% of the share capital in KMD Holding ApS.

At 31 December 2017, the limited partnerships have not offered all the acquired shares to those covered by the program.

The holders of the shares have only limited voting rights and are entitled to sell the shares to third parties only in connection with a stock exchange listing or the sale of KMD Holding ApS (exit event). If an employee covered by the program leaves their position before an exit event has occurred, the person is obliged to sell their shares at a price based on a predetermined formula.

The investment of the Executive Board and senior employees in KMD Holding ApS is specified in the table below.

SHARES	B shares	C shares
<b>At 1 January 2017</b>	<b>604,747</b>	<b>4,979</b>
Granted during the year	14,061	125
Terminations	95,847	928
Exercised		
Expired	0	0
<b>Outstanding at 31 December 2017</b>	<b>522,961</b>	<b>4,176</b>

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 06\_SPECIAL ITEMS

**Reorganization and structural adjustments**

Expenses relating to reorganization and structural adjustments primarily concern termination expenses.

**Transformation programs**

Expenses relating to transformation programs primarily concern expenses associated with changing the business setup, including server and mainframe operation.

**Other**

Other expenses of a special nature, including acquisition-related expenses and special compensation payments to customers.

**2016****DKK MILLION**

	Other external expenses	Staff costs	Other operating income	Total
Reorganization and structural adjustments		-93.6		-93.6
Transformation programs	-75.0			-75.0
Other	-262.7		2.8	-259.9
<b>Total</b>	<b>-337.7</b>	<b>-93.6</b>	<b>2.8</b>	<b>-428.5</b>

**2017****DKK MILLION**

	Other external expenses	Staff costs	Other operating income	Total
Reorganization and structural adjustments	-21.3	-91.4		-112.7
Transformation programs	-57.5			-57.5
Other	-216.5		0.0	-216.5
<b>Total</b>	<b>-295.3</b>	<b>-91.4</b>	<b>0.0</b>	<b>-386.7</b>

## NOTE 07\_FINANCIAL INCOME

**DKK MILLION**

	2017	2016
Interest income	1.4	4.6
Foreign currency translation adjustments	5.6	2.9
Interest income, Group enterprises	3.2	4.4
<b>Carrying amount at 31 December</b>	<b>10.2</b>	<b>11.9</b>

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 08\_FINANCIAL EXPENSES

## DKK MILLION

	2017	2016
Interest expenses	36.9	19.7
Foreign currency translation adjustments	5.1	3.5
Interest expenses, Group enterprises	4.0	3.7
<b>Total</b>	<b>46.0</b>	<b>26.9</b>

## NOTE 09\_TAX ON PROFIT FOR THE YEAR

## DKK MILLION

	2017	2016
Current tax	44.0	98.4
Change in deferred tax	31.3	-17.6
<b>Total</b>	<b>75.3</b>	<b>80.8</b>
Prior-year adjustments	1.1	0.6
<b>Total</b>	<b>76.4</b>	<b>81.4</b>
Made up as follows:		
Tax on profit for the year	76.4	81.4
Tax on changes in equity	0.0	0.0
<b>Total</b>	<b>76.4</b>	<b>81.4</b>

Development in deferred tax can be specified as follows:

## DKK MILLION

	2017	2016
Balance at 1 January	55.9	71.5
Adjustment of deferred tax, 1 January	-2.7	-5.7
Additions relating to merger	0.0	7.7
Provisions for the year	31.3	-17.6
<b>Balance at 31 December</b>	<b>84.5</b>	<b>55.9</b>
Deferred tax is made up as follows:		
Intangible assets	171.7	158.9
Property, plant and equipment	-37.0	-41.4
Other liabilities	-21.3	-18.0
<b>Non-current portion</b>	<b>113.4</b>	<b>99.5</b>
Current assets	8.6	8.1
Other liabilities	-37.5	-51.7
<b>Current portion</b>	<b>-28.9</b>	<b>-43.6</b>
<b>Balance at 31 December</b>	<b>84.5</b>	<b>55.9</b>

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 10\_INTANGIBLE ASSETS

**2017****DKK MILLION**

	Customer relation- ships	Rights and software	Goodwill	Develop- ment project in progress	Completed develop- ment projects	Total
<b>Cost at 1 January</b>	<b>119.5</b>	<b>222.8</b>	<b>345.2</b>	<b>399.2</b>	<b>397.4</b>	<b>1,484.1</b>
Additions during the year				195.8	14.8	210.6
Transfers				-73.7	73.7	0.0
Disposals during the year				0.0		0.0
<b>Cost at 31 December</b>	<b>119.5</b>	<b>222.8</b>	<b>345.2</b>	<b>521.3</b>	<b>485.9</b>	<b>1,694.7</b>
Amortization and impairment losses at 1 January	76.2	96.5	96.6	0.0	196.0	465.3
Transfers						0.0
Disposals during the year						0.0
Impairment losses	5.1		17.8		33.3	56.2
Amortization for the year	11.8	26.7	29.7		86.6	154.8
<b>Amortization and impairment losses at 31 December</b>	<b>93.1</b>	<b>123.2</b>	<b>144.1</b>	<b>0.0</b>	<b>315.9</b>	<b>676.3</b>
<b>Carrying amount at 31 December</b>	<b>26.4</b>	<b>99.6</b>	<b>201.1</b>	<b>521.3</b>	<b>170.0</b>	<b>1,018.4</b>
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	1.9	6.3	8.2

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 11\_PROPERTY, PLANT AND EQUIPMENT

2017

DKK MILLION

	Land and buildings	Leasehold improve- ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
<b>Cost at 1 January</b>	<b>139.8</b>	<b>69.8</b>	<b>276.1</b>	<b>176.1</b>	<b>661.8</b>
Additions during the year		3.2	3.4	11.3	17.9
Disposals during the year	-0.4		-14.7	-16.8	-31.9
<b>Cost at 31 December</b>	<b>139.4</b>	<b>73.0</b>	<b>264.8</b>	<b>170.6</b>	<b>647.8</b>
Depreciation at 1 January	78.0	27.3	235.2	159.6	500.1
Depreciation for the year	5.2	6.7	16.2	10.6	38.7
Depreciation eliminated on disposals	-0.2		-14.7	-16.8	-31.7
<b>Depreciation at 31 December</b>	<b>83.0</b>	<b>34.0</b>	<b>236.7</b>	<b>153.4</b>	<b>507.1</b>
<b>Carrying amount at 31 December</b>	<b>56.4</b>	<b>39.0</b>	<b>28.1</b>	<b>17.2</b>	<b>140.7</b>
Of which assets held under finance leases	0.0	0.0	0.0	0.0	0.0

## NOTE 12\_EQUITY INVESTMENTS IN GROUP ENTERPRISES

DKK MILLION

	2017	2016
Cost at 1 January	1,261.2	334.2
Additions	151.5	1,012.0
Disposals	-1.8	-85.0
<b>Cost at 31 December</b>	<b>1,410.9</b>	<b>1,261.2</b>
Accumulated impairment losses at 1 January	0.0	0.0
Impairment losses for the year		
Disposals	0.0	0.0
Accumulated impairment losses at 31 December	0.0	0.0
<b>Carrying amount at 31 December</b>	<b>1,410.9</b>	<b>1,261.2</b>

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

Group enterprises 2017	Domicile	Currency	Ownership interest
Edlund A/S	Valby, Denmark	DKK	100.0%
UVData A/S	Nørresundby, Denmark	DKK	100.0%
KMD Venture A/S	Ballerup, Denmark	DKK	100.0%
Scan Jour A/S	Ballerup, Denmark	DKK	100.0%
KMD Poland sp. z o.o.	Warsaw, Poland	PLN	100.0%
Banqsoft AS	Oslo, Norway	NOK	100.0%
Charlie Tango A/S	Copenhagen, Denmark	DKK	100.0%

## NOTE 13\_CONTRACT WORK IN PROGRESS

## DKK MILLION

	2017	2016
Selling price of work performed	378.1	241.9
Payments received on account	-259.5	-123.7
<b>Carrying amount at 31 December</b>	<b>118.6</b>	<b>118.2</b>

## NOTE 14\_PREPAYMENTS

## DKK MILLION

	2017	2016
Prepaid salaries	0.2	0.8
Other prepayments	68.6	38.8
<b>Carrying amount at 31 December</b>	<b>68.8</b>	<b>39.6</b>

## NOTE 15\_SHARE CAPITAL

## DKK MILLION

	2017	2016
The Parent Company's capital is made up as follows:		
1 share class of A shares of DKK 1,000	240.0	240.0
<b>Total</b>	<b>240.0</b>	<b>240.0</b>

The share capital has been unchanged at DKK 240.0 million for the last five financial years.



## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 16\_PROVISIONS

## DKK MILLION

	2017	2016
Provisions at 1 January	251.1	70.1
Additions during the year	119.5	213.0
Used during the year	-140.1	-32.0
Reversed during the year	0.0	0.0
<b>Carrying amount at 31 December</b>	<b>230.5</b>	<b>251.1</b>

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.

## NOTE 17\_NON-CURRENT LIABILITIES

## DKK MILLION

	2017	2016
Payables due more than 5 years after the balance sheet date	0.0	8.5
<b>Carrying amount at 31 December</b>	<b>0.0</b>	<b>8.5</b>

## NOTE 18\_OTHER PAYABLES

## DKK MILLION

	2017	2016
Holiday pay obligations	276.7	283.8
Other staff-related items	155.6	172.6
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	39.4	73.2
Other payables	1.0	51.0
<b>Carrying amount at 31 December</b>	<b>472.7</b>	<b>580.6</b>

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

NOTE 19\_CONTINGENT ASSETS  
AND LIABILITIES

The Company has entered into leases and operating leases that are non-cancelable on the part of the

Company beyond 1 year. The value of the total rental and lease commitments is as follows:

## RENTAL COMMITMENTS

## DKK MILLION

	2017	2016
Rental commitments due within 1 year	88.6	94.7
Rental commitments due within 2 to 5 years	369.3	358.8
Rental commitments due after 5 years	589.1	764.1
<b>Total</b>	<b>1,047.0</b>	<b>1,217.6</b>

Rental commitments relate primarily to the Company's owner-occupied properties where contracts have been entered into that are non-cancelable until 1 January 2024. Expenses recognized in the income statement

relating to the above rental commitments amount to DKK 95 million (2016: DKK 94 million).

## LEASE COMMITMENTS

## DKK MILLION

	2017	2016
Lease commitments due within 1 year	311.3	437.5
Lease commitments due within 2 to 5 years	622.8	816.1
Lease commitments due after 5 years	37.0	48.7
<b>Total</b>	<b>971.1</b>	<b>1302.3</b>

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions. Expenses recognized in the income statement relating to the above operating leases amount to DKK 438 million (2016: DKK 286 million).

## Other liabilities and 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.

The senior loan agreement is a loan facility comprising four loan facilities and a revolving credit facility. On 31 December 2017 the nominal debt in relation to the loan agreement was DKK 4,805 million. The shares in KMD A/S and its subsidiaries have been pledged as security for the senior loan agreement.

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.

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

## NOTE 20\_RELATED PARTIES

The Company's related parties are:	Domicile	Relationship	Ownership interest
AI Keyemde & Cy SCA	Luxembourg	Shareholder in KMD Holding ApS	95.9%
AI Keyemde B K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	3.9%
AI Keyemde B2 K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.2%
AI Keyemde C K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.0%
AI Keyemde Luxembourg C2 K/S	Ballerup, Denmark	Shareholder in KMD Holding ApS	0.0%
KMD Holding ApS	Ballerup, Denmark	Shareholder in AI Keyemde 2 ApS	100.0%
AI Keyemde 2 ApS	Ballerup, Denmark	Shareholder in AI Keyemde 3 ApS	100.0%
AI Keyemde 3 ApS	Ballerup, Denmark	Shareholder in KMD Holdco 4 A/S	100.0%
KMD Holdco 4 A/S	Ballerup, Denmark	Shareholder in KMD A/S	100.0%
Edlund A/S	Valby, Denmark	Subsidiary of KMD A/S	100.0%
UVdata A/S	Ballerup, Denmark	Subsidiary of KMD A/S	100.0%
KMD Poland sp. z o.o.	Warsaw, Poland	Subsidiary of KMD A/S	100.0%
Banqsoft AS	Oslo, Norway	Subsidiary of KMD A/S	100.0%
Banqsoft AB	Stockholm, Sweden	Subsidiary of KMD A/S	100.0%
Banqsoft OY	Espoo, Finland	Subsidiary of KMD A/S	100.0%
Banqsoft sp. z o.o.	Warsaw, Poland	Subsidiary of Banqsoft AS	100.0%
KMD Venture A/S	Ballerup, Denmark	Subsidiary of Banqsoft AS	100.0%
Scan Jour A/S	Ballerup, Denmark	Subsidiary of Banqsoft AS	100.0%
Charlie Tango A/S	Copenhagen, Denmark	Subsidiary of KMD A/S	100.0%
Legacy ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	42.0%
Kompis Holding ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	10.2%
Code Creation IVS	Copenhagen, Denmark	Associate of KMD Venture A/S	15.0%
KUBO Robotics ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	9.1%
Relabee ApS	Copenhagen, Denmark	Associate of KMD Venture A/S	49.0%

Trading and balances with related parties comprise:

**DKK MILLION**

	2017	2016
Sale of goods and services, Group enterprises	16.1	23.7
Purchase of goods and services, Group enterprises	232.0	128.2
Interest income, Group enterprises	3.2	4.4
Interest expenses, Group enterprises	4.0	3.7
Receivables, Group enterprises	49.3	104.4
Payables, Group enterprises	120.3	127.4

## FINANCIAL STATEMENTS || NOTES TO THE FINANCIAL STATEMENTS

AI Keyemde & Cy SCA owns 95.89% of the shares in KMD Holding ApS. The ultimate owner of AI Keyemde & Cy SCA is funds managed by Advent International Corporation. These funds, which own more than 25% of the shares in AI Keyemde & Cy SCA, are Advent International GPE VII-B Limited Partnership (29%) and Advent International GPE VII-E Limited Partnership (20%). No other Advent funds own or manage more than 15% of the shares.

More information about Advent International is available on [www.adventinternational.com](http://www.adventinternational.com).

KMD Holding ApS is included as a subsidiary in the financial statements of AI Keyemde & Cy SCA. The parent company can be contacted at the company's address: 2-4, rue Beck, 1222 Luxembourg, Grand Duchy of Luxembourg.

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 the Group Secretariat, Lautrupparken 40, 2750 Ballerup, Denmark.

### NOTE 21\_EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date with a material impact on the Company's financial position as of 31 December 2017.

### NOTE 22\_DISTRIBUTION OF PROFITS

The profit for the year on DKK 177.7 million is proposed to be distributed to retained earnings.

During the year DKK 400 million has been distributed as extraordinary dividend.

### 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 and shareholdings of the Board of Directors and Executive Board are described in Note 5. There have not been any other transactions with the Board of Directors, Executive Board or other related parties during the year.

## FINANCIAL STATEMENTS

## EXPLANATION OF FINANCIAL RATIOS

The financial ratios have been prepared in accordance with Recommendations and Key Ratios 2015, issued by the Danish Society of Financial Analysts.

The financial ratios cited in the Financial highlights have been calculated as follows:

Profit margin (EBIT margin)	=	Operating profit Revenue
EBITDA margin	=	Earnings before interest, tax, depreciation and amortization (EBITDA) Revenue
Solvency ratio	=	Equity x 100 Total assets
Return on equity (ROE)	=	Net profit for the year Average equity
Interest-bearing debt	=	Debt to credit institutions + deposits + bonds + subordinated debt
EBITDA before special items	=	EBITDA in accordance with the consolidated financial statements adjusted for share of the accounting items Other operating income and Other operating expenses (gains and losses on sale of non-current assets plus profit on sale of companies) and restructuring costs of a one-off nature

## STATEMENTS

# STATEMENT BY THE EXECUTIVE BOARD AND BOARD OF DIRECTORS

The Board of Directors and the Executive Board have discussed and approved the Annual Report of KMD A/S for the financial year 1 January – 31 December 2017.

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

Management's Review, which is not included in the audit, has been prepared 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 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

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 March 2018**

### Executive Board



Eva Berneke  
CEO



Jannich Kiholm Lund  
CFO

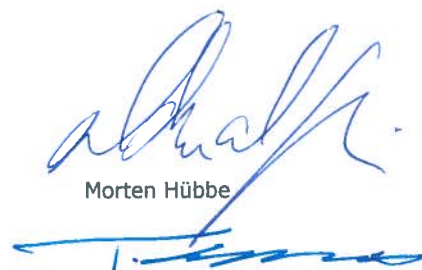
### Board of Directors



Jens Due Olsen  
Chairman



Léo Apotheker



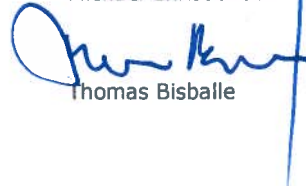
Morten Hübbe



Michael Christiansen



John Woyton



Thomas Bisballe



Kim Skovgaard

Thomas Weisman

Eise Bergman



## STATEMENTS

# 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 financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KMD 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 a summary of significant accounting policies ("financial statements").

### Basis for opinion

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

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

In preparing the financial statements, Management is responsible for assessing the 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.

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

## FINANCIAL STATEMENTS || INDEPENDENT AUDITOR'S REPORT

\_ 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 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.

### Copenhagen, 5 March 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR-nr. 33 77 12 31



Mikkel Styr  
State Authorized Public Accountant  
MNE-No. 26693



Leif Ulbæk Jensen  
State Authorized Public Accountant  
MNE-No. 23327

KMD A/S Annual Report 2017

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and Finance

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