StiboSystems

Stibo Systems A/S

Axel Kiers Vej 11, DK-8270 Højbjerg

CVR No. 35 82 26 90

Annual report 2018/19

Approved at the Company's annual general meeting on 21 June 2019

Chairman:

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Stibo Systems A/S for the financial year 1 May 2018 - 30 April 2019.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 April 2019 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 May 2018 - 30 April 2019.

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

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

Højbjerg, 21 June 2019
Executive Board:

Niels Poulsen Stenfeldt
CEO

Board of Directors:

Carsten Christensen Chairman	Niels Poulsen Stenfeldt	Jesper Ejlersen

Independent auditors' report

To the shareholders of Stibo Systems A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Stibo Systems A/S for the financial year 1 May 2018 – 30 April 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 30 April 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 May 2018 – 30 April 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Independent auditor's report

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

Aarhus, 21 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Jens Weiersøe Jakobsen	Søren Jensen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne30152	mne34132

Management's review

Company details

Name	Stibo Systems A/S
Address	Axel Kiers Vej 11, DK-8270 Højbjerg
CVR no.	35 82 26 90
Registered office	Aarhus
Financial year	1 May – 30 April
Website	www.stibosystems.com
Telephone	+45 89 39 11 11
Board of Directors	Carsten Christensen, Chairman Niels Poulsen Stenfeldt Jesper Ejlersen
Executive Board	Niels Poulsen Stenfeldt, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vaerkmestergade 25, DK-8100 Aarhus C

Management's review

Financial highlights for the Group

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	654,305	607,595	647,566	735,419	623,985
Gross profit	450,872	440,525	462,030	545,334	487,035
Operating profit	8,117	44,302	24,943	115,217	121,077
Profit from financial income and expenses, net	2,860	267	-713	2,565	4,007
Profit before tax	10,977	44,569	24,230	117,782	125,084
Profit for the year	5,016	31,139	15,697	87,419	93,820
Non-current assets	5,747	2,370	1,377	2,842	2,710
Current assets	503,451	521,206	469,967	591,303	559,257
Total assets	509,198	523,576	471,344	594,145	561,967
Share capital	50,000	50,000	50,000	50,000	50,000
Equity	248,704	274,938	249,695	285,256	246,943
Provisions	1,311	2,751	4,167	15,070	17,030
Current liabilities	259,183	245,887	217,482	293,819	297,994
Investments in property, plant and equipment	4,758	2,452	238	1,637	1,372
Financial ratios					
Operating margin	1.2	7.3	3.9	15.7	19.4
Return on invested capital	2.4	14.1	8.0	39.5	55.2
Gross margin	68.9	72.5	71.3	74.2	78.1
Solvency ratio	50.7	52.5	53.0	48.0	43.9
Return on equity	1.9	11.9	5.9	32.9	47.5
Average number of employees	467	439	498	470	430

For terms and definitions, please see the accounting policies.

Management's review

Operating review

What we do

Stibo Systems is an important partner for global companies as they digitize their business models. Our company is a leading international vendor within the Master Data Management market (MDM). Master Data Management is fundamentally about bringing structure to the vast amount of information about customers, products, suppliers, etc. that companies hold. The goal of Stibo Systems is to create competitive advantages for our customers at all times.

Operating review

In the fiscal year 2018/19, Stibo Systems achieved a record number of license sales to new customers while investing heavily in the development of our software product portfolio. At the end of the fiscal year, our pipeline of potential new orders remains strong, which gives us a strong foundation for continued growth in 2019/20.

The year can be summarized in three main headings:

1. Continued transition from a business model where the core is selling perpetual licenses to a software subscription based (SaaS) pricing model.
2. A high level of investment in product and people to maintain long-term competitiveness in a market undergoing radical change.
3. Record number of new customers.

Introducing Market- and Business performance

As Stibo Systems continues to see a shift from perpetual licenses to subscription pricing, reported revenue and EBIT have become inadequate measures of success year over year as long as the Company is undergoing a transition in business model. As the proportion of order intake that is taken to revenue during the first fiscal year decreases, the significantly increasing backlog needs to be taken into consideration to get a full understanding of the Company's performance. Furthermore, as Stibo Systems' GAAP only includes revenue on a month by month basis, it's difficult to compare to those of our competitors that recognize full first year's bookings in month one according to their GAAP. When combining software-related revenue and backlog into Market performance, this provides a more complete measure of success continuing to showcase the value the Stibo Systems software creates.

On top of Market performance, Business performance includes all other revenues and all cost items from the financial statements. This measure provides insight into the total value created by the business during the fiscal year.

Management's review

Operating review

Traditional metrics (DKK)	2018/19	2017/18	2016/17
Reported revenue	654M	608M	648M
Recurring part of revenue	294M	247M	221M
Profit before tax	11M	45M	24M
Equity	249	275M	250M
Number of employees	467	439	498
Market performance:			
License & support revenues	435M	397M	418M
In-/decrease backlog, licenses & Support **	129M	43M	-24M
Total market performance	**564M**	**440M**	**394M**
YoY	**28,1%**	**11,6%**	
Business performance:			
Market performance	564M	440M	394M
Other revenues	219M	211M	230M
Direct and indirect cost	-646M	-564M	-623M
Total business performance	**137M**	**87M**	**1M**

** reference data for change in backlog is not available at this detail level before 2016/17 and cannot be provided with reasonable effort.

The increase in revenue is driven by record licenses sales combined with the effect of previous year's subscription backlog (currently 45% of revenue is recurring compared to 40% last fiscal year). Professional Services revenue contributes to the growth also as the activity on customer projects has been high during the year.

As the share of customers who choose multi-year subscription models as opposed to perpetual purchases, there is increased pressure on overall earnings. This is a common trend in the software market and one that our competitors are experiencing as well. Stibo Systems continues to have the resources needed and financial stability to support this change in business model and continue to increase investments in the product.

Outlook Independent analyst Gartner projects that the MDM will continue to grow at ~5.6%, equating to a $1.4B market size and more interesting that the market penetration is very low. Stibo Systems sees the potential in the market and will continue to invest in our unique, agnostic Multidomain Master Management platform. We will expand our cloud offering in line with market expectations, but as we do so, we will make sure that our existing customers will have an upgrade path if and when they decide to upgrade platforms.

Management and ownership of Stibo Systems are firmly committed to creating long term value for our customers and ownership. As the transformation from software selling to software subscriptions will continue, we expect that our revenue numbers will be affected for a number of years to come until a steady stage has been reached, but none the less Stibo Systems is committed to ongoing investments in the product for the benefit of our customers and thus we expect to see mediocre EBIT results over the next couple of years, all in line with the strategy of creating long-term value. After Niels Stenfeldt has joined the Company as CEO, a new strategy has been crafted to ensure long-term growth for Stibo Systems and our customer base.

Management's review

Operating review

Fuelled by strong mega trends such as 'digitization', 'IOT', and 'Big Data,' the global MDM market will experience strong growth in the coming years – only to be further accelerated from the emergence of new verticals and geographical markets. Thus maintaining a strong position in the future MDM market calls for major investments. Stibo Systems is privileged to have a strong forward-thinking ownership that allow investments in software and associated services to be made continuously as part of the operation and have grown the investments in product and market positioning by +10% compared to the previous year.

Customers

Management is pleased to report that the positive trend of increased sales that was reported for the second half of the previous year continued throughout 2018/19 adding more than 50 new customers to the base.

Our list of customers includes approximately 400 key customers worldwide.

ISO 27001

Stibo Systems has achieved the ISO 27001 certification, which is the most recognized general security certification globally. It demonstrates to our customers and partners that we are committed to continuously improving our security measures and that they can trust our efforts of protecting their information. The certification relates to an information security management system that oversees the security needs of the organization based on constant risk assessments.

Outlook

The investments in product and market presence will be maintained on a very high level in the coming year. We will continue to fund the investments as part of the running operation, keeping operating costs at a distinctive level. It is our expectation that we will continue to grow our software sales in the years to come, but as the transition from perpetual software sales to subscription-based models will continue in the coming 2-3 years we expect that earnings will still be moderate. As the order backlog at the beginning of the year is satisfactory, the financial results for 2019/20 are expected to surpass that of 2018/19.

Particular risks

Currency risks

The Group is exposed to changes in exchange rates as the majority of the Group's revenue is settled in foreign currencies.

Interest rate risks

Due to its equity ratio and financial resources, the Group is only exposed to changes in the interest rate level to a minor extent.

Credit risks

Before new business relations are initiated, a credit rating of the customer is made, and if appropriate and possible, credit risks are hedged by means of insurances with credit insurance companies.

The Group reduces credit risks by issuing progress billings as work progresses.

Management's review

Operating review

Statutory corporate social responsibility statement under section 99a of the Danish Financial Statements Act

Stibo Systems has developed a CSR policy based on the 10 principles of the UN Global Compact. At Stibo Systems, corporate social responsibility (CSR) is not merely something we are committed to as a company, but by the very nature of what we do, it is something we deliver on as a business. By providing our customers the ability to break down barriers that inhibit the flow of - and visibility into - accurate, trustworthy data, we enable them to deliver on their own corporate social, environmental and sustainability agendas.

In a marketplace where consumers expect more from brands, the impact of this kind of accessibility can be transformative. Empowering manufacturers and retailers to build consumer loyalty, accountability and trust, by providing digital business data transparency, from source to final purchase. Empowering their customers with the information they need to make informed purchase decisions based on the things they personally care about most is what will differentiate them in the market place.

Delivering this level of access, while maintaining integrity and control, has been essential to our mission since the start. And we are excited about the potential of data to be a force for social good as we move ahead.

The Stibo Systems CSR policy

Stibo Systems defines corporate social responsibility as adhering to standards ensuring that its activities are carried out in an ethically, socially, economically and environmentally sustainable manner. Stibo Systems' activities can potentially have an impact on a wide array of cultures, religions, ethnicities, provinces, territories and nations. We understand that responsible corporate behavior is to facilitate the development and success of our business activities within the technology space while also contributing to the economic and sustainable development of communities that are affected by our operations.

In alignment with our company principles of conduct Stibo Systems therefore:

- Complies with all applicable local and international laws, including the international human rights standards of the United Nations. Stibo Systems will not tolerate any human rights violations or abuses.
- Carries out its employment practices in accordance with the principles of freely chosen employment. Stibo Systems does not contract with companies that use forced, bonded, exploitive, indentured or involuntary labor practices. Furthermore, Stibo Systems ensures that protections with respect to child laborers, hours of work, employee wages and benefits, employee treatment, freedom of association, health, and safety are at the forefront of its employee-related policies and practices.
- Does not discriminate and provides equal opportunity for all people regardless of race, gender, age, national origin, religion, disability, sexual orientation, marital status or political views.
- Conducts business transactions openly and transparently in accordance with the highest industry-set ethical standards and values. Stibo Systems ensures that corporate practices follow company-stated business principles in terms of business integrity, anti-bribery and corruption, disclosure of information, protection of intellectual property, fair business practices and the protection of suppliers and employees.
- Develops sustainable business practices and products that limit environmental footprints, including the influence on climate change and when relevant also recycling, water conservation.
- Enriches and engages employees through employee-focused development practices and initiatives aiming to ensure appropriate employee morale and foster a collaborative workplace.
- Actively seeks opportunities to make donations to organizations promoting good causes and initiatives.

Management's review

Operating review

Stibo Systems' Management has internally delegated power to its legal department for the review and approval of every company initiative to ensure that it complies with the above standards.

As a global leader in the master data management space, Stibo Systems will ensure that its operations promote international business principles and practices. As a company, we value and respect the principles of all communities we work with and remain committed to ensuring that all our employees, management and directors are actively involved in integrating the global CSR policy in our daily work.

The CSR policy is communicated to all employees and other interested parties via the company website.

Environment and climate

Stibo Systems is operated from the Company's headquarters in Denmark. Activities in the rest of the world are subject to the respective national legislation in the field of the environment.

The main environmental and climatic conditions of the activities of Stibo Systems can be divided into areas with which the Company has a direct influence and areas which are indirectly influenced.

Direct environmental impact

The main direct environmental aspects of the activities of Stibo Systems is the energy consumption of the office locations and the travel activities (climate issues). Stibo Systems have not adopted a formal policy on environmental issues (water, soil, air quality, and noise), we have assessed the risks in these areas and found no material emissions from our business activities.

The activities at the headquarters in Denmark are subject to continuous monitoring of energy consumption, and targets for improving energy efficiency are set. There is a direct correlation between energy consumption and emissions of CO2, which affects the climate, and the total emission is shown in the table below.

Energy consumption	Unit	HQ 2016[b]	HQ 2017[b]	HQ 2018[b]
Electricity[a]	ton CO_2 eq	755	704	701
Space heating[a]	ton CO_2 eq	271	201	183
Total	**ton CO_2 eq**	**1.026**	**905**	**884**

a: Total consumption of energy from the headquarter of Stibo A/S.

b: Calculated by the use of ClimateCalc Basic: www.climatecalc.eu.

In recent years, a number of energy-enhancing measures have been implemented at the headquarters, including the setting up of heat pumps for the utilization of excess heat from data centers and the optimization of lighting and cooling systems. Over the last three years, total CO2 emissions have been reduced by 14%, corresponding to a total of around 140 tonnes of CO2.

The travel activities of employees travelling by air within the Company or by visiting customers or other partners are calculated on an annual basis.

Travel activities	Unit	2016[a]	2017[a]	2018[a]
Flights Stibo Systems	ton CO_2 eq	751	698	657

a: Calculated by Travel Agency.

Management's review

Operating review

Indirect environmental impact

The operation of the software and the databases on behalf of the customer constitutes a significant indirect environmental area, as the effectiveness of these solutions ultimately has a decisive influence on the customer's processes and products. Stibo Systems manages this relationship through the ongoing development, operation and support of software and database solutions in cooperation with customers.

The operation of the software and databases takes place via global data centers, which can also be described as a significant indirect environmental factor.

There is currently no comprehensive overview of the environmental and climate footprint of all the activities of the Company. Thus, there are locations where there is currently no reporting of, for example, energy consumption, as well as the fact that this relationship is not currently part of the dialogue with data center solutions providers. Efforts are being made to make a more systematic collection and monitoring of energy consumption from all locations in the Company. In addition, the objective is to identify environmental and climate conditions in relation to the data center solutions used.

Social and employee relationships

Activities in Denmark where the HQ is located as well as the rest of the world are subject to the respective national laws on freedom of association and working environment.

Stibo Systems A/S is part of the foundation-owned company Stibo A/S. The Foundation is involved in and supports a number of non-profit objectives in society, including support for sick or poor children, sports clubs and cultural events.

Most of the employees in Stibo Systems are employed in locations where conditions are similar to Danish legislation. Thus, employment contracts are available for all employees, indicating the agreed working time and deadlines for termination. In addition, for example, the right to pay during sickness and maternity. All employment contracts are validated and signed centrally in Stibo Systems, helping to ensure that the Group's policy is complied with at all locations. In the case of outsourced activities, Stibo Systems ensures that the employees of the companies concerned are employed under conditions that are aligned with the company policy.

As Stibo Systems primarily employs persons with higher education, recruitment of employees under the age of 18 is only made to a very limited extent. When employing persons under the age of 18, this is done under stringent instructions in relation to the working environment.

Employees at all locations are free to organize themselves and choose local employee representatives if they wish.

The aim is to ensure good working conditions for employees at all locations. No work is performed at any locations that can be considered dangerous work.

All employees have the opportunity to contact the local management if there are circumstances that are deemed not to be in order. Employees also have the possibility to anonymously use an external controlled whistleblower scheme that allows employees to report concerns about possible illegal activities or serious breaches of internal policies that may affect the Company or that may have a decisive influence on the life and health of individuals.

It is important for Stibo Systems that employees in all parts of the Company have good physical conditions and a good working environment and that continuous work is done to improve conditions. To further support this effort, a more systematic reporting of safety and health conditions at all locations outside the head office will be launched in the coming period.

Management's review

Operating review

It is mainly the local management at the individual locations that is responsible for assessing whether local legal requirements are respected in relation to social conditions and employee relationships. At least once a year group management will ask local advisors (accountants, auditors or similar) for advice on any practices that are not considered standard in the local society.

Stibo Systems has assessed that the most material risks of negatively affecting social and employee conditions is pertained to stress or other psychological harms. To monitor the risk Stibo Systems have questions included in the annual employee satisfaction survey to gauge the happiness of the employees and, thereby, how they thrive at work. The results of the employee satisfaction survey showed a score of 85% favorable on wellbeing an improvement of 4% over the previous year.

Human rights

The group activities of both the operations in Denmark and the rest of the world are governed by the respective national laws on human rights. Danish standards are used as guidelines if and when local requirements are considered to be less demanding.

Stibo Systems is a multicultural company due to the countries in which there are activities and the markets on which they operate. This reflects the Company's attitudes towards human rights. Harassment, discriminationare not accepted. Employees in Stibo Systems are free to wear religious symbols at work if they wish.

In 2018/19, Stibo System continued its practice with using an externally controlled whistleblower scheme that allows employees to report concerns of discrimination, illegal activities, etc. Stibo Systems haven't identified material risks negatively affecting human rights. No reports of discrimination incidents where received through the whistleblower scheme.

Anti-corruption

All economic activities in Stibo Systems are subject to the accounting laws of Denmark. Activities in the rest of the world are subject to the respective national accounting laws, including the obligation to endorse the accounts by an external auditor. Regardless of local audit requirements, Stibo Systems will only work with accountants and/or auditors that are affiliated with an organization that is internationally recognized for their professional standards.

The Company has fixed procedures for procuring, ensuring that no individual can make a sale of the Company's services or make any major purchases without going through at least two layers of approval (double approval of all transactions). Investments are always approved by the Board of Directors of Stibo Systems A/S before starting. Significant merger and acquisition decisions are always approved by the Board of Directors of Stibo A/S (parent company).

The Company does not accept the use of bribes or facilitation payments.

All employees have the opportunity to contact the local management if there are circumstances that are deemed not to be in order. Employees also have the possibility to anonymously use an externally controlled whistleblower scheme that allows employees to report concerns about possible illegal activities or serious breaches of internal policies that may affect the Company. In 2018/19, Stibo Systems identified no incidents of corruption.

No risk has been identified in relation to anti-corruption in Stibo Systems.

Management's review

Operating review

Goals and policies for the underrepresented gender under section 99b of the Danish Financial Statements Act

In selecting new candidates for Stibo Systems' Board of Directors, emphasis is placed on specific professional and personal skills, qualifications and experience. Stibo Systems believes that a diverse and versatile composition of the board, including the gender distribution, contributes to an innovative organization and a positive working climate. Stibo Systems has the objective of extending, as far as possible, the number of women in the board. Stibo Systems has a goal that one of the board of Directors elected by the General Assembly should be occupied by a woman (representing 33% of the board members elected by the General meeting) before 2025.

The status in 2019 is that the board consists of 3 members elected by the General Meeting. Since no qualified female candidates were identified in 2018/19, none of the members elected by the General Meeting for the board of Stibo Systems are women.

Stibo Systems has defined an objective of increasing, as far as possible, the number of women in the management, emphasis is placed on specific professional and personal skills, qualifications and experience. Stibo Systems aspires to have one of each gender represented under final hiring rounds. Current status is that one woman has joined the global management team.

Consolidated financial statements and parent company financial statements 1 May – 30 April

Income statement

Note	DKK'000	Consolidated 2018/19	Consolidated 2017/18	Parent company 2018/19	Parent company 2017/18
	Revenue	654,305	607,595	646,694	607,595
2	Other operating income	40	250	12,029	13,112
		654,345	607,845	658,723	620,707
	Raw materials and consumables	-28,445	-28,283	-500,426	-426,182
	Other external costs	-175,028	-139,037	-52,172	-56,850
	Gross profit	450,872	440,525	106,125	137,675
3	Staff costs	-438,263	-392,598	-125,198	-119,813
4	Depreciation, amortisation and impairment losses	-4,492	-3,625	-944	-1,292
	Operating profit	8,117	44,302	-20,017	16,570
9	Profit of group entities after tax	0	0	17,914	18,331
5	Financial income	3,630	1,016	3,316	528
6	Financial expenses	-770	-749	-71	-83
	Profit before tax	10,977	44,569	1,142	35,346
7	Tax on profit for the year	-5,961	-13,430	3,874	-4,207
	Profit for the year	5,016	31,139	5,016	31,139

Proposed profit allocation

DKK'000	Parent company 2018/19	Parent company 2017/18
Proposed dividends	0	35,000
Transfer to reserve for net revaluation according to the equity method	17,914	18,331
Retained earnings	-12,898	-22,192
	5,016	31,139

Consolidated financial statements and parent company financial statements 1 May – 30 April

Balance sheet

Note	DKK'000	Consolidated 30 April 2019	Consolidated 30 April 2018	Parent company 30 April 2019	Parent company 30 April 2018
	ASSETS				
	Non-current assets				
8	**Property, plant and equipment**				
	Fixtures and fittings, other plant and equipment	5,747	2,370	0	44
	Investments				
9	Investments in group entities	0	0	92,857	96,134
	Total non-current assets	5,747	2,370	92,857	96,178
	Current assets				
	Receivables				
	Trade receivables	149,889	172,613	25,757	21,634
10	Contract work in progress	8,839	5,965	3,057	3,093
	Receivables from group entities	155,126	133,250	191,214	168,262
11	Deferred tax asset	167	414	0	0
	Corporation tax	3,619	980	1,454	0
	Other receivables	9,241	8,394	2,990	2,709
	Prepayments	23,891	5,825	11,955	2,830
		350,772	327,441	236,427	198,528
	Cash	152,679	193,765	18,136	76,361
	Total current assets	503,451	521,206	254,563	274,889
	TOTAL ASSETS	509,198	523,576	347,420	371,067

Consolidated financial statements and parent company financial statements 1 May – 30 April

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	30 April 2019	30 April 2018	30 April 2019	30 April 2018
	EQUITY AND LIABILITIES				
12	**Equity**				
	Share capital	50,000	50,000	50,000	50,000
	Net revaluation acc. to the equity method	0	0	57,538	60,816
	Retained earnings	198,704	189,938	141,166	129,122
	Proposed dividends	0	35,000	0	35,000
	Total equity	248,704	274,938	248,704	274,938
	Provisions				
11	Deferred tax	1,311	2,751	515	2,751
	Total provisions	1,311	2,751	515	2,751
	Liabilities				
	Current liabilities				
10	Prepayments from customers	172,719	164,823	49,470	43,741
	Trade payables	5,401	2,242	2,931	785
	Payables to group entities	0	422	18,606	15,786
	Corporation tax	1,604	8,831	0	5,223
	Other payables	79,459	69,569	27,194	27,843
		259,183	245,887	98,201	93,378
	Total liabilities	255,644	245,887	98,201	93,378
	TOTAL EQUITY AND LIABILITIES	509,198	523,576	347,420	371,067

1 Accounting policies
13 Mortgages, collateral and contingent liabilities
14 Lease obligations
15 Related parties

Consolidated financial statements and parent company financial statements 1 May – 30 April

Statement of changes in equity – Consolidated

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 May 2018	50,000	189,938	35,000	274,938
Profit for the year	0	5,016	0	5,016
Foreign exchange adj. on the translation of foreign entities	0	3,750	0	3,750
Distributed dividends	0	0	-35,000	-35,000
Equity at 30 April 2019	50,000	198,704	0	248,704

Statement of changes in equity – Parent company

DKK'000	Share capital	Retained earnings	Net revaluation acc. to the equity method	Proposed dividends	Total
Equity at 1 May 2018	50,000	129,122	60,816	35,000	274,938
Profit for the year	0	-12,898	17,914	0	5,016
Foreign exchange adj. on the translation of foreign entities	0	0	3,750	0	3,750
Transfer	0	24,942	-24,942	0	0
Distributed dividends	0	0	0	-35,000	-35,000
Equity at 30 April 2019	50,000	141,166	57,538	0	248,704

Consolidated financial statements and parent company financial statements 1 May – 30 April

Cash flow statement

Note	DKK'000	Consolidated 2018/19	Consolidated 2017/18
	Operating profit	8,117	44,302
	Depreciation	1,301	1,233
	Cash generated from operations (operating activities) before changes in working capital	9,418	45,535
	Changes in working capital	21,460	27,013
	Cash flows from operating activities	30,878	72,548
5	Financial income	3,630	1,016
6	Financial expenses	-770	-749
	Other adjustments	-1,092	-2,547
	Cash generated from operations (ordinary activities)	32,646	70,268
	Corporation tax paid	-17,020	-14,552
	Cash flows from operating activities	15,626	55,716
8	Acquisition of property, plant and equipment	-4,758	-2,452
8	Disposal of property, plant and equipment	155	436
	Cash flows from investing activities	-4,603	-2,016
	Changes in receivables from group entities	-21,876	-30,544
	Dividends paid	-35,000	0
	Cash flows from financing activities	-56,876	-30,544
	Cash flows for the year	-45,853	23,156
	Cash and cash equivalents at 1 May	193,765	174,168
	Exchange gains/losses on cash and cash equivalents	4,767	-3,559
	Cash and cash equivalents at 30 April	152,679	193,765

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements 1 May – 30 April

Notes

1 **Accounting policies**

The annual report of Stibo Systems A/S for 2018/19 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

Pursuant to section 96(3) of the Danish Financial Statements Act, please see the annual report of Stibo-Fonden for 2018/19 regarding auditors' fee.

The financial statements have been prepared in accordance with the same accounting policies as last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Stibo Systems A/S, and subsidiaries in which Stibo Systems A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

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

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date. Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not restated for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of entities are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

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

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity. Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 **Accounting policies (continued)**

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. Income and expenses related to such hedges are transferred from equity by realisation of the hedged item and recognised in the same financial statement item as the hedged item.

Income statement

Revenue

Revenue from the sale of goods and services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Contract work in progress in respect of delivery of large systems is recognised in revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method). Revenue is recognised when total income and expenses relating to the construction contract and the stage of completion at the balance sheet date can be reliably measured, and when it is probable that future economic benefits, including payments, will flow to the Group.

Other operating income

Other operating income comprises items secondary to the primary activities of the Company.

Other external costs

Other external costs comprise items primary to the activities of the Company for the year.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the Company's employees, including members of the Executive Board and the Board of Directors.

Development costs regarding new products are expensed as incurred as the conditions for capitalisation are not considered to have been met. In practice, the development of new products cannot be separated from the continued maintenance of the Group's other products.

Depreciation and amortisation

Comprises depreciation of property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 **Accounting policies (continued)**

Profits/losses from investments in group entities

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses and amortisation of goodwill.

The proportionate share of the results after tax of the associates is recognised in the income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Interest expenses are not capitalised.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Stibo Group's Danish companies. Subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

Stibo Holding A/S is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year, comprising current tax and changes in deferred tax for the year, is recognised in the income statement. The tax expense relating to changes in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	3-10 years

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 **Accounting policies (continued)**

In case of changes in the depreciation period or the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in group entities

Investments in group entities and associates are measured according to the equity method.

Investments in group entities are measured in the balance sheet at the proportionate share of the entities' net asset value determined in accordance with the parent company's accounting policies less or plus unrealised intra-group gains and losses.

Group entities with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary's deficit.

Net revaluation of investments in group entities is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected losses.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the work.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Individual work in progress is recognised in the balance sheet under either receivables or payables depending on the net value of the sales amount less progress billings and prepayments.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 **Accounting policies (continued)**

Corporation tax and deferred tax

Payable and receivable joint taxation contributions are recognised in the balance sheet under balances with group companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities other than provisions

Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

1 **Accounting policies (continued)**

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

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

Cash flows from financing activities

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

Segment information

The Group only operates within one segment.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Return on capital employed	$\frac{\text{Operating profit/loss x 100}}{\text{Average operating assets}}$
Operating assets	Operating assets are total assets less cash
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements 1 May – 30 April

Notes

2 **Other operating income**

The financial statement item substantially comprises income from management fee and other services. Furthermore gains from sales of property, plant and equipment.

		Consolidated		Parent company	
	DKK'000	2018/19	2017/18	2018/19	2017/18
3	**Staff costs**				
	Wages and salaries	399,836	358,424	118,031	112,904
	Pensions	16,250	14,790	6,816	6,526
	Other social security costs	22,177	19,384	351	383
		438,263	392,598	125,198	119,813
	Average number of full-time employees	467	439	148	144

Pursuant to sections 98b (3) of the Danish Financial Statements Act, there is no information about remuneration to the Executive Board.

4	**Depreciation and impairment losses**				
	Fixtures and fittings, other plant and equipment	1,301	1,233	44	267
	Minor new acquisitions	3,191	2,392	900	1,025
		4,492	3,625	944	1,292
5	**Financial income**				
	Other financial income	3,630	1,016	3,316	528
6	**Financial expenses**				
	Other financial expenses	770	749	71	83
7	**Tax on profit for the year**				
	Current tax for the year	7,274	14,455	-1,453	5,623
	Adjustment of deferred tax	-1,128	-1,025	-2,236	-1,416
	Changes to prior year	-185	0	-185	0
		5,961	13,430	-3,874	4,207

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

8 Property, plant and equipment

DKK'000	Consolidated Fixtures and fittings other plant etc.	Parent company Fixtures and fittings other plant etc.
Cost at 1 May 2018	10,529	6,680
Foreign exchange adjustments in foreign entities	97	0
Additions	4,758	0
Disposals	-1,179	-678
Cost at 30 April 2019	14,205	6,002
Depreciation charges at 1 May 2018	-8,159	-6,636
Foreign exchange adjustments in foreign entities	-62	0
Depreciation charges	-1,301	-44
Disposals	1,064	678
Depreciation charges and impairment losses at 30 April 2019	-8,458	-6,002
Carrying amount at 30 April 2019	5,747	0
Depreciated over	3-10 years	3-10 years

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

DKK'000	Parent company 2018/19	Parent company 2017/18
9 Investments in subsidiaries		
Cost at 1 May	35,318	35,318
Additions	1	0
Cost at 30 April	35,319	35,318
Value adjustments at 1 May	60,816	39,497
Foreign exchange adjustments, foreign group entities	3,750	-5,896
Profit before tax	27,750	27,554
Tax on profit for the year	-9,836	-9,223
Dividends	-24,942	0
Disposals	0	8,884
Adjustments at 30 April	57,538	60,816
Carrying amount at 30 April	92,857	96,134

Name	Registered office	Voting rights and ownership
Stibo Systems Inc.	USA	100%
Stibo Systems Healthcare Inc.	USA	100%
Stibo Systems Ltd.	England	100%
Stibo Systems GmbH	Germany	100%
Stibo Systems S.A.S	France	100%
Stibo Systems Asia Ltd.	Hong Kong	100%
Stibo Systems Korea Ltd.	South Korea	100%
Stibo Systems Japan	Japan	100%
Stibo Systems Hong Kong Ltd	Hong Kong	100%
Stibo Systems China Ltd.	Hong Kong	100%
Stibo Software Ltd.	China	100%
Stibo Systems China Ltd.	China	100%
Stibo Systems Pty. Ltd.	Australia	100%
Stibo Systems B.V.	Holland	100%
Stibo Systems Sârl	Switzerland	100%
Stibo Systems Inc.	Canada	100%
Stibo Systems Do Brazil Ltda.	Brazil	100%
Stibo Systems AB	Sweden	100%
Stibo Systems Columbia	Columbia	100%
Stibo Systems Spain S.L.	Spain	100%
Stibo Systems México	Mexico	100%

DKK'000	Consolidated 2018/19	Consolidated 2017/18	Parent company 2018/19	Parent company 2017/18
10 Contract work in progress				
Recognised as follows:				
Contract work in progress	8,839	5,965	3,057	3,093
Prepayments from customers	-172,719	-164,823	-49,470	-43,741
	-163,880	-158,858	-46,413	-40,648

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

DKK'000	Consolidated 2018/19	Consolidated 2017/18	Parent company 2018/19	Parent company 2017/18
11 Deferred tax				
Deferred tax at 1 May	2,337	3,285	2,751	4,167
Foreign exchange adjustments	-65	77	0	0
Changes for the year, see note 7	-1,128	-1,025	-2,236	-1,416
Deferred tax at 30 April	1,144	2,337	515	2,751
Deferred tax asset	-167	-414	0	0
Deferred tax liability	1,311	2,751	515	2,751
	1,144	2,337	515	2,751

12 Equity

The share capital comprises 50,000 shares of DKK 1,000 nominal value each. All shares rank equally. The share capital has remained unchanged since establishment.

Proposed profit allocation

	2018/19	2017/18
Proposed dividends	0	35,000
Transfer to reserve for net revaluation according to the equity method	17,914	18,331
Retained earnings	-12,898	-22,192
	5,016	35,346

13 Mortgages, collateral and contingent liabilities

Parent company

The Company is jointly taxed with other Danish group companies. As group company, together with the other group companies included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The jointly taxed companies known net liabilities to SKAT are recognised in the financial statements of the administrative company, Stibo Holding A/S. Any subsequent corrections to the joint taxation income and withholding taxes, etc. may imply that the Company's liabilities increase.

Consolidated financial statements and parent company financial statements 1 May - 30 April

Notes

14 Lease obligations

Parent company

The Company has entered into rent obligations with a term of 1 year totalling DKK 4.6 million (2017/18: DKK 4.4 million).

Other lease obligations (operating leases) falling due within 5 years total DKK 1.3 million (2017/18: DKK 2.9 million).

Consolidated

The Group has entered into rent obligations falling due within 11 years and totalling DKK 138.2 million (2017/18: DKK 26.8 million).

Other lease obligations (operating leases) falling due within 5 years total DKK 1.6 million (2017/18: DKK 3.3 million).

15 Related parties

Parties exercising control

The Stibo-Fonden, Axel Kiers Vej 11, 8270 Højbjerg.

Stibo Systems A/S is wholly-owned by Stibo A/S, Aarhus, whose ultimate parent company is the Stibo-Fonden, Aarhus.

Related party transactions

Related parties comprise the Stibo-Fonden and subsidiaries in which Stibo-Fonden directly or indirectly controls.

Transactions in 2018/19 with related parties:

DKK'000	Consolidated	Parent company
Income[1]	61	516,838
Expenses[1]	28,260	478,121
Net financial income and expenses[2]	0	0
Receivables from group entities[3]	155,126	191,214
Payables to group entities[3]	0	18,606

[1] Includes sales and purchases of goods and services.

[2] Includes financial items related to intercompany financing.

[3] Includes receivables and payables related to sales and purchases of goods and services and intercompany financing.