

KMD Venture A/S

Lautrupparken 40

2750 Ballerup

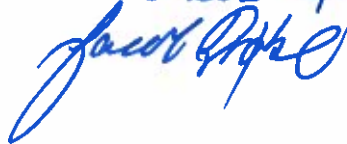
CVR No. 36985356

Annual Report 2018/19

Årsrapporten er fremlagt
og godkendt på selskabets
generalforsamling.

Dato: 30/8 2019

Dirigent: JACOB DRØPSE



KMD Venture A/S

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KMD Venture A/S

Management's Statement

The Executive Board and the Board of Directors have today discussed and approved the annual report for the financial year 1 January 2018 - 31 March 2019 for KMD Venture A/S.

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

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

In our opinion the Management's review provides a fair account of the circumstances discussed.

It is recommended that the annual report be approved by the Annual General Meeting.

Ballerup, 30 August 2019

Executive Board

Niklas Marschall
Man. Director

Board of Directors

Betina Vestergaard Hagerup
Chair

Eva Berneke

Jannich Kiholm Lund

Independent Auditor's Report

To the shareholders of KMD Venture A/S

Opinion

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

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

Basis of opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibility for the financial statements

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

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

Independent Auditor's Report

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

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

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

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

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

Hellerup, 30 August 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerskab
CVR-no. 33771231

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

KMD Venture A/S

Company details

Company	KMD Venture A/S Lautrupparken 40 2750 Ballerup
CVR No.	36985356
Financial year	1 January 2018 - 31 March 2019
Board of Directors	Betina Vestergaard Hagerup, Chair Eva Berneke Jannich Kiholm Lund
Executive Board	Niklas Marschall, Man. Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

Management's Review

The entity's principal activities

The entity's principal activities is to identify and invest in opportunities that are not naturally captured by KMD's ongoing business, but in the long term may have significant strategic and financial importance for KMD. Through direct investment in innovative start-ups and in partnerships with other companies, KMD expects to develop a stronger innovation capability and a faster and more flexible approach to try out new business opportunities.

Development in activities and financial matters

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

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

The entity's income statement of the financial year 01-01-2018 - 31-03-2019 shows a result of TDKK -4.912 and the Balance sheet at 31-03-2019 a balance sheet total of TDKK 2.989 and an Equity of TDKK 799.

KMD Venture A/S will always invest together with other companies and contribute with knowledge as well as pre-seed or seed funding to concepts or newly established start-ups.

As the investments are made in startup companies uncertainties exist regarding the future cash flow from the investments.

KMD Venture A/S

Accounting Policies

Reporting Class

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

The accounting policies applied remain unchanged from last year.

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

Reporting currency

The Annual Report is presented in Thousand Danish kroner (t.kr.).

General Information

Basis of recognition and measurement

Revenue is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the revenue for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions, as well as reversals as a result of changes to accounting estimates previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially recognized at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. Any exchange gains and losses are recognized over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or refute circumstances existing at the balance sheet date.

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Revenue

Income from delivery of services is recognised as revenue as the service is delivered.

Other external expenses

Other external expenses include expenses relating to sales and administration.

Accounting Policies

Income from equity investments in associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

Financial income and expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items comprise interest income and expenses, realized and unrealized exchange gains and losses relating to securities, debt and transactions in foreign currencies, dividends received on other equity investments, amortization of financial assets and liabilities, and additions and reimbursements under the on-account tax scheme.

Tax on net profit/loss for the year

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

Balance Sheet

Dividends and income from equity investments in Group enterprises

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Receivables

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

Cash and cash equivalents

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

Equity

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

Financial liabilities

Financial liabilities are recognized when a loan is raised at the proceeds received less transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost on the basis of the effective interest rate on the borrowing date.

Payables to group companies and other debt is measured at amortized cost, equivalent to the nominal debt outstanding.

Current tax liabilities

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

KMD Venture A/S**Income Statement**

	Note	2018/19 tkr.	2017 tkr.
Gross profit		-842	-257
Income from investments in group enterprises and associates		-4.215	-393
Finance expences	1	<u>-40</u>	<u>-117</u>
Profit from ordinary activities before tax		-5.097	-767
Tax expense on ordinary activities		<u>185</u>	<u>57</u>
Profit		<u>-4.912</u>	<u>-710</u>
Proposed distribution of results	2		
Retained earnings		<u>-4.912</u>	<u>-710</u>
		<u>-4.912</u>	<u>-710</u>

KMD Venture A/S**Balance Sheet as of 31 March**

	Note	2019 tkr.	2017 tkr.
Assets			
Long-term investments in associates	3, 4	2.565	4.051
Investments		<u>2.565</u>	<u>4.051</u>
Fixed assets		<u>2.565</u>	<u>4.051</u>
Short-term receivables from group enterprises		0	500
Short-term receivables from associates		38	100
Short-term tax receivables		213	58
Receivables		<u>251</u>	<u>658</u>
Cash and cash equivalents		<u>173</u>	<u>1.627</u>
Current assets		<u>424</u>	<u>2.285</u>
Assets		<u>2.989</u>	<u>6.336</u>

KMD Venture A/S**Balance Sheet as of 31 March**

	Note	2019 tkr.	2017 tkr.
Liabilities and equity			
Share capital		501	501
Retained earnings		298	5.210
Equity		799	5.711
Payables to parent company		2.190	625
Short-term liabilities other than provisions		2.190	625
Liabilities and equity		2.989	6.336
Significant events occurring after end of reporting period	5		
Contingent liabilities	6		
Collaterals and assets pledges as security	7		
Related parties	8		

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Statement of changes in Equity

	Share capital	Retained earnings	Total
Equity 1 January 2018	501	5.210	5.711
Profit (loss)		-4.912	-4.912
Equity 31 March 2019	501	298	799

The share capital was increased by DKK 1.000 in 2017. Except for this, there has been no changes in the last 5 years.

Notes

	2018/19	2017
1. Finance expenses		
Finance expenses arising from group enterprises	40	116
Other finance expenses	0	1
	<u>40</u>	<u>117</u>
2. Distribution of profit		
Retained earnings	-4.912	-710
	<u>-4.912</u>	<u>-710</u>
3. Long-term investments in associates		
Cost at the beginning of the year	4.051	1.837
Addition during the year, incl. improvements	514	2.214
Cost at the end of the year	<u>4.565</u>	<u>4.051</u>
Revaluations for the year	-2.000	0
Revaluations at the end of the year	<u>-2.000</u>	<u>0</u>
Carrying amount at the end of the year	<u>2.565</u>	<u>4.051</u>

4. Disclosure in relation to long-term investments

	Registered office	Shares held in %	Equity	Profit / (loss)
Legacy/Testaviva	Copenhagen	38	380	49
Code Creation IVS	Copenhagen	15	N/A	N/A
Kubo Robotics ApS	Copenhagen	6	2,372	(5,745)
Kompis Holding IVS	Copenhagen	10	1,522	(33)
Scoutbase Holding ApS	Copenhagen	15	544	(5)
Goal Station ApS	Copenhagen	50	N/A	N/A
QLife	Copenhagen	3	N/A	N/A
DCR Soltuions ApS	Copenhagen	4	N/A	N/A

The fiscal results are from the latest available public information.

5. Significant events occurring after end of reporting period

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

6. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

7. Collaterals and securities

The Company 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 Venture A/S

Notes

8. Related parties

KMD Venture ApS is fully owned by KMD A/S which is part of the KMD Holding ApS Group. A copy of the consolidated financial statements can be obtained through the Company Secretary at Lautrupparken 40, 2750 Ballerup, Denmark.

The Company is ultimately a 100% owned subsidiary of NEC Corporation.