

A.T. Kearney P/S

Sankt Annæ Plads 13
1250 København K
Denmark

CVR no. 37 81 13 19

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting on

25 June 2019

Gotfred Severin Berntsen

chairman

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A.T. Kearney P/S
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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 A.T. Kearney P/S for the financial year 1 January – 31 December 2018.

The annual report 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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

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

Copenhagen, 25 June 2019
Executive Board:

Lars Krohn Røst

Board of Directors:

Gotfred Severin Berntsen
Chairman

James Frederick Dyall

Geir Olsen

Independent auditor's report

To the shareholders of A.T. Kearney P/S

Opinion

We have audited the financial statements of A.T. Kearney P/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

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 that 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.

Independent auditor's report

- 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.

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.

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

Copenhagen, 25 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Klaus Rytz
State Authorised
Public Accountant
mne33205

A.T. Kearney P/S
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Management's review

Company details

A.T. Kearney P/S
Sankt Annæ Plads 13
1250 København K
Denmark

Telephone: 33 69 30 00
Website: www.atkearney.dk

CVR no.: 37 81 13 19
Established: 14 June 2016
Registered office: Copenhagen
Financial year: 1 January – 31 December

Board of Directors

Gotfred Severin Berntsen, Chairman
James Frederick Dyll
Geir Olsen

Executive Board

Lars Krohn Røst

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting

The annual general meeting will be held on 25 June 2019.

Management's review

Financial highlights

DKK'000	2018	2017	2016
Key figures			
Gross profit/loss	31,107	41,724	38,554
Ordinary operating profit/loss	-4,702	3,020	6,354
Profit/loss from financial income and expenses	655	40	38
Profit/loss for the year	-4,047	3,060	6,392
Balance sheet			
Total assets	97,199	91,074	68,537
Equity	9,520	11,452	8,392
Investment in property, plant and equipment	81	204	0
Ratios			
Return on equity	-38.59%	30.84%	76.17%
Solvency ratio	9.79%	12.57%	12.24%

Financial ratios are calculated in accordance with the guidelines "Recomendations and Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

The Company's main activities comprise providing consulting services within strategic management consulting.

The Company is a part of the A.T. Kearney Group.

Development in activities and financial position

The Company realised a loss for the year of DKK 4,047 thousand in 2018 (2017: profit of DKK 3,060 thousand). The loss for the year is considered not satisfactory.

Events after the balance sheet date

No events have occurred after the balance sheet date that may affect the assessment of the Company's financial position at 31 December 2018 and the results for the year.

Significant estimates and judgements

Note 8 to the financial statements includes a description of significant estimates and judgements made at 31 December 2018.

Environmental matters

The working environment is assessed as satisfactory. Absence due to illness was insignificant.

The activities of the company do not pollute the environment. The company is an integrated part of the A.T. Kearney corporation which is carbon neutral.

Outlook

With 2018 well behind us, our pipeline is slightly weaker than same time previous year. We expect a revenue and a result in line with 2018.

Particular risks

The company is, like most companies, exposed to a sudden downturn in the market. We believe the risk to be manageable.

The Company does not make use of financial instruments such as financial derivatives.

The Company participate in a global cash pooling system why we believe a liquidity/cash flow risk to be minimal. Historically the company has not suffered losses on its receivables why this risk is considered very low. Intercompany receivables are secured thru the firm's global netting system.

Management's review

Operating review

Intellectual capital

Our employees contribute to the financial success of our global network through their teamwork and collaboration to serve our clients worldwide. The rich, diverse backgrounds of our consultants have a direct impact on what our teams accomplish every day—a dynamic that has defined our culture for more than 90 years. Training is a crucial component of the continued development of our employees and their career advancement. All employees will attend training programs where they learn essential concepts and methodologies that are crucial to management consulting.

Research and development activities

No R&D activities (as such) are undertaken by the Company on local basis.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Gross profit		31,107	41,724
Staff costs	2	-35,289	-38,137
Depreciation, amortisation and impairment		<u>-520</u>	<u>-567</u>
Operating profit/loss		-4,702	3,020
Financial income	3	810	66
Financial expenses		<u>-155</u>	<u>-26</u>
Loss for the year	4	<u><u>-4,047</u></u>	<u><u>3,060</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
ASSETS			
Fixed assets			
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		1,162	1,584
Leasehold improvements		0	18
		<u>1,162</u>	<u>1,602</u>
Investments			
Deposits		<u>1,536</u>	<u>875</u>
Total fixed assets		<u>2,698</u>	<u>2,477</u>
Current assets			
Receivables			
Trade receivables		21,040	19,747
Receivables from associates		38,423	58,136
Work in progress	6	34,672	7,083
Other receivables		131	804
Prepayments	7	80	233
		<u>94,346</u>	<u>86,003</u>
Cash at bank and in hand		<u>155</u>	<u>2,594</u>
Total current assets		<u>94,501</u>	<u>88,597</u>
TOTAL ASSETS		<u>97,199</u>	<u>91,074</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		500	500
Retained earnings		9,020	10,952
Total equity		9,520	11,452
Provisions			
Other provisions		659	659
Total provisions		659	659
Liabilities other than provisions			
Current liabilities other than provisions			
Prepayments received from customers	6	2,234	989
Trade payables		1,245	602
Payables to group entities		61,695	47,611
Other payables		21,846	29,761
		87,020	78,963
Total liabilities other than provisions		87,020	78,963
TOTAL EQUITY AND LIABILITIES		97,199	91,074
Significant management estimates and judgements	8		
Contractual obligations, contingencies, etc.	9		
Related party disclosures	10		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	500	10,952	11,452
Net effect from change of accounting policy	0	2,115	2,115
Transferred over the distribution of loss	0	-4,047	-4,047
Equity at 31 December 2018	500	9,020	9,520

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of A.T. Kearney P/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of A.T. Kearney A/S.

Change in accounting policies

With effect from 1 January 2018, the Company has chosen to rely on IFRS 15 Revenue from contracts with customers as the basis of interpretation when recognising revenue.

In contrast to the previous bases of interpretation contained in IAS 11/18, IFRS 15 contains one overall and comprehensive model for the recognition of revenue. The fundamental principle in IFRS 15 is that the Company is to recognise revenue so it reflects goods or services provided to customers at the amounts to which the Company is expected to be entitled for the provision of these goods or services.

The effect for the Company of using IFRS 15 as the basis of interpretation is that:

- variable consideration from contracts on which the customer's price may vary if a number of conditions are complied with after performance of the contract is to be recognised as revenue if it is highly likely that changes in estimated variable consideration do not have the outcome that an important part of the amount is to be reversed and thereby will reduce revenue. Accordingly, the Group is to recognise the most probable value of the variable consideration in revenue.
- a number of contracts contains several performance obligations to which the transaction price is to be allocated.

The Company has relied on the following transitional provisions:

- IFRS 15 has been applied following the cumulative effect method with any cumulative effects recognised in equity as of 1 January 2018 and with no restatement of comparative figures.

The monetary effect of relying on IFRS 15 as the basis of interpretation made up DKK 2,115 thousand in 2018 specified as follows:

DKK'000	2018	2017
Effect on:		
Total assets	2,115	0
Equity	2,115	0

Apart from the above, the accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Change in accounting class

The annual report of A.T. Kearney P/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act. The transition compared to the previous financial year from the provisions applying to reporting class B entities under the Danish Financial Statements Act has not resulted in changes to recognition and measurement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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 and expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Revenue comprises fee income from consultancy services, which is recognised in accordance with the percentage of completion method less other external costs comprising costs related to sales, promotion, administration, premises, operating leases, etc.

Other income

Other income relates to rechargeable administrative services and costs other than consultancy services to other A.T. Kearney companies and gain on sale of assets.

Other external costs

Other external costs comprise costs of consultants from other A.T. Kearney companies, marketing expenses, insurance costs, rent, proposal costs, administrative costs, other external costs and loss on sale of assets.

Staff costs

Staff costs comprise wages, salaries, bonuses, remuneration, pensions and other staff costs related to the Company's employees, including the members of the Executive Board.

Financial income and expenses

Financial income and expenses comprise interest income and expense, and transactions denominated in foreign currencies.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Leasehold improvements and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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	2-8 years
Leasehold improvements	5 years

Depreciation is recognised in the income statement under depreciation, amortisation and impairment losses.

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Impairment of fixed assets

The residual value of plant and equipment is reassessed on an ongoing basis. Any adjustments to residual values are made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

Deposits

Deposits relate to the Company's leases and are measured at the lower of cost or recoverable amount.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses to net realisable value based on a specific assessment.

Intercompany balances

Receivables from group entities comprise intercompany receivables from other companies within the A.T. Kearney Group as well as the Company's cash and cash equivalents, which are included in the A.T. Kearney Group's cash pool scheme.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 contract work.

Individual contract work in progress is recognised in the balance sheet under receivables or payables depending on the net amount of the selling price less progress billings and prepayments as contract work in progress and prepayments received from customers, respectively.

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

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

2 Staff costs

DKK'000	2018	2017
Wages and salaries	31,838	34,878
Pensions	2,210	2,095
Other social security costs	490	271
Other staff costs	751	893
	<u>35,289</u>	<u>38,137</u>
Average number of full-time employees	<u>24</u>	<u>22</u>

In the financial year, the Management Board consists of only one member, therefore information about the Management's remuneration is discharged pursuant to section 98b of the Danish Gap.

No remuneration has been paid to the Board during the financial year.

3 Financial income

DKK'000	2018	2017
Interest income from group entities	80	66
Exchange gains	730	0
	<u>810</u>	<u>66</u>

Financial statements 1 January – 31 December

Notes

4 Proposed profit appropriation/distribution of profit/loss

DKK'000	2018	2017
Retained earnings	-4,047	3,060

5 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2018	4,196	593	4,789
Additions for the year	81	0	81
Disposals for the year	-874	0	-874
Cost at 31 December 2018	3,403	593	3,996
Depreciation and impairment losses at 1 January 2018	-2,612	-575	-3,187
Depreciation for the year	-457	-18	-475
Reversed depreciation on assets disposed	828	0	828
Depreciation and impairment losses at 31 December 2018	-2,241	-593	-2,834
Carrying amount at 31 December 2018	1,162	0	1,162

6 Work in progress

DKK'000	2018	2017
Contract work in progress	140,357	46,695
Work in progress, payments received on account	-107,919	-40,601
	32,438	6,094
Recognized in the balance sheet as follows:		
Contract work in progress recognized in assets	34,672	7,083
Prepayments received recognized in debt	-2,234	-989
	32,438	6,094

7 Prepayments

Prepayments, DKK 80 thousand (2017: DKK 233 thousand), comprise prepayment of costs incurred relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

8 Significant management estimates and judgements

In preparing the financial statements, Management has made a number of estimates and judgements when determining the carrying amount of certain assets and liabilities. The most significant management estimates and judgements relate to:

- Determination of the stage of completion of projects in progress is based on Management's estimates and judgements of residual costs.

Management makes its estimates based on experience and other assumptions which are considered relevant at the balance sheet date. The actual results may deviate from these estimates over time, and the deviations may be significant.

9 Contractual obligations, contingencies, etc.

Operating lease obligations

The Company's rent liabilities and residual lease payments on leased office equipment which fall due within five years amount to DKK 1,435 thousand (31 December 2017: 1,453 thousand), of which DKK 1,390 thousand (31 December 2017: 1,378 thousand) falls due within a year.

10 Related party disclosures

Related party transactions

DKK'000	2018
Sale of services to related parties	16,498
Purchase of services from related parties	113,873

Remuneration to the Company's Executive Board and Board of Directors is disclosed in note 2.

Payables to associates and subsidiaries are disclosed in the balance sheet, and expensed interest is disclosed in note 3.

Ownership

A.T. Kearney Denmark A/S holds the majority of the share capital in the Company.

The ultimate parent company is A.T. Kearney Holdings Limited, UK.

Consolidated financial statements

The Company is included in the consolidated financial statements of A.T. Kearney Denmark A/S. The financial statement for the consolidated can be obtained by contacting the company.