

Michael Holm Holding ApS

Lindevangsvej 17

8240 Risskov

Central Business Registration

No 39391996

Annual report

01.10.2017 -

30.09.2018

The Annual General Meeting adopted the annual report on 16.01.2019

Chairman of the General Meeting

Name: Michael Holm

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Entity details

Entity

Michael Holm Holding ApS
Lindevangsvej 17
8240 Risskov

Central Business Registration No (CVR): 39391996
Registered in: Aarhus
Financial year: 01.10.2017 - 30.09.2018

Statutory reports on the entity's website

Statutory report on corporate social responsibility: <https://da.systematic.com/corporate-social-responsibility/>

Executive Board

Michael Holm

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Executive Board have today considered and approved the annual report of Michael Holm Holding ApS for the financial year 01.10.2017 - 30.09.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Entity's financial position at 30.09.2018 and of the results of its operations and cash flows for the financial year 01.10.2017 - 30.09.2018.

I believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

I recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 16.01.2019

Executive Board

Michael Holm

Independent auditor's report

To the shareholders of Michael Holm Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Michael Holm Holding ApS for the financial year 01.10.2017 - 30.09.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.10.2016 - 30.09.2017 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Aarhus, 16.01.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Michael Bach
State Authorised Public Accountant
Identification No (MNE) mne19691

Søren Lassen
State Authorised Public Accountant
Identification No (MNE) mne18520

Management commentary

2017/18
DKK'000

Financial highlights

Key figures

Revenue	964.919
Gross profit/loss	652.922
Operating profit/loss	127.017
Net financials	2.914
Profit/loss for the year	99.089
Total assets	813.491
Equity incl minority interests	484.352
Cash flows from (used in) operating activities	(36.743)
Cash flows from (used in) investing activities	(32.506)
Cash flows from (used in) financing activities	(105.000)
Average numbers of employees	805

Ratios

Gross margin (%)	67,7
EBIT margin (%)	13,2
Net margin (%)	10,3
Return on equity (%)	48,6
Equity ratio (%)	59,5

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
EBIT margin (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The entity's operating profitability excluding interest and tax.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activity for Michael Holm Holding ApS is to hold shares in Systematic Holding ApS, which hold shares in Systematic A/S. Therefore, we have repeated the management commentary of Systematic A/S below.

The company was founded as per 23.02.2018 with an in-kind contribution of controlling shares in Systematic Holding ApS.

Systematic is one of Denmark's leading IT software and systems integrators. Systematic provides a wide range of IT services and solutions to its customers, primarily in the healthcare and public sector in Denmark, and defence sector internationally.

Development in activities and finances

Over the last five years, Systematic Group has demonstrated a strong revenue growth of more than 20% annually while also significantly improving the profitability. The financial year 2016/17 was an exceptional year influenced by extraordinary one-off events. Adjusted for these unique events in 2017/18, we have continued the strong underlying momentum although the revenue and profitability have decreased compared with the unique results of last year.

Systematics' objective is to enable critical decision making based on strong software solutions. Our vision is to be a leading IT software and systems integrator in specific mission and business critical sectors. We provide a full range of IT products, services and solutions from ideation to full deployment and operations.

Our customers are primarily in the international defense and healthcare sector and the Danish public sector. In this business landscape, failure of critical IT systems can irreparably damage missions or corporations, public reputation, and in worse cases, even lives. Therefore, we create and deploy software solutions that secures support for key mission critical functions. We deliver software tools that protect personnel, monitor personal health and safety of equipment while ensuring that critical processes are conducted securely and efficiently.

Our market success has resulted in a very busy organization and the growth is realized by our engaged and loyal employees who together have shown great dedication and passion to our customers and Systematic Group. During the financial year we have started building up our development center in Romania, where we currently are more than 120 employees. Also in already established locations, further additional expansions have taken place; in our US office near Washington DC, we are now close to 50 employees. In August we celebrated an important milestone of exceeding 1,000 employees in Systematic Group, which is the first time in more than 20 years that a privately owned Danish company has grown to this size.

We are confident that our ongoing investments in software products and services and our strong organization form the basis for a continued sustainable growth.

The financial year 2017/18

In the financial year 2017/18, revenue in Systematic Group was mDKK 964,9, with an EBIT margin of 13.2%; equal to an EBIT of mDKK 129,9.

Management commentary

These declining financial results were as expected, as the financial year 2016/17 was very positively impacted by a number of extraordinary market successes that cannot be expected to be repeated.

Looking over a 5-year period - our annual average revenue has grown organically by 22.2%, while EBIT has increased by 52.5%. This longterm performance is very satisfactory.

We continue to see the results of changing our business model from pure project business to selling, distributing, deploying and servicing our own developed software products and services.

With our current business model, we expect to become more dependent on license revenue from our software products based on innovation, continued investment in product development and associated services where we have a patient longterm strategic view combined with an urgency in execution.

International expansion is a continuous focus area for us, and 41% of our revenue is from our international markets. The flip side of the internationalization is our ability to predict the revenue as it is dependent on the timing of signing of new contracts which is often difficult to predict precisely in some international markets.

Our cash position remains strong with mDKK 229,9 in cash and cash equivalents.

The financial performance is as expected and management finds the performance for the financial year 2017/18 satisfactory.

Outlook

Systematic is entering the financial year 2018/19 with a strong order-book and a satisfactory number of identified and qualified market opportunities. However, the financial results are dependent on the license revenue where the exact timing can be difficult to predict. Hence, there is some uncertainty regarding EBIT for the coming year, but management expects an EBIT-margin at the same level as achieved for financial year 2017/18 and is confident about the longterm profitability of the company.

Particular risks

Systematic's business entails a number of commercial and financial risk elements, but not more than those which are considered normal for an IT-software and systems integrator like Systematic.

Intellectual capital resources

As a professional software and systems integrator, Systematic is dependent on highly skilled and knowledgeable employees. 76% hold an academic degree in IT, software engineering, economics and other relevant degrees. In 2017/18, we hired 330 new employees bringing the total number of full-time employees to 954 per 30th September 2018. 12% former Systematic employees rejoined Systematic.

We are completely dependent on talented people, who continue to deliver value adding results every day. Our ability to attract, retain and develop our employees is key to our continuing success and therefore we invest in efficient on-boarding programs and continuing professional development. We are therefore proud of being rated as number # 2 on the "Top 100 best IT companies in Denmark 2018".

Management commentary

For the fifth time, an external assessment has confirmed that Systematic ranks high among the elite international IT companies. In 2018, we have again scored the top-level rating – 5 – in the CMMI maturity model (Capability Maturity Model Integrated), an international standard for maturity in software development processes. A total of 360 European companies are CMMI rated, of which only 26 have obtained Level 5 rating in software development. We are the only Scandinavian IT company that has obtained an appraisal in this top category. Moreover, Systematic is one of the very few companies in the world that has succeeded in maintaining a CMMI Level 5 rating since 2005. This rating means a lot to us when operating in the international arena.

We are recognized internationally for our ability to optimize and improve the efficiency of software development processes through a combination of the CMMI model and agile development methods based on Lean and Scrum. For our customers, the combination of CMMI, Lean and Scrum means that we can act in a flexible, interactive manner and apply a well-documented collaboration model to generate measurable results quickly and efficiently. We have repeatedly demonstrated that flexibility and agile methods can be combined to have a positive impact on structure, predictability and credibility. In financial year 2017/18 we completed more than 94% of our software deliveries on or before time.

Statutory report on corporate social responsibility

Our approach to CSR is firmly embedded in our corporate culture and core values. We respect the uniqueness of our employees and offer equal opportunity for learning and development in accordance with individual's needs, potential, and the company's interests.

In conducting our business, we aim to maintain high ethical standards, strive to execute our activities with integrity and accountability, and be compliant with applicable legislation wherever we operate.

Our position regarding CSR is described in detail on our website at www.systematic.com/CSR (statutory report on corporate social responsibility under section 99a of the Danish Financial Statements Act).

Statutory report on the underrepresented gender

We are doing business in a male-dominated field. Nevertheless, Systematic has for years focused on getting "the best qualified" people in its management positions regardless of gender.

On the Board of Directors, 4 members were elected at the General Meeting, all of them men. The objective for balanced representation is 25% female no later than 2020. However, the key criteria for nomination of candidates will be competence and the ability to add value to Systematics' strategy and growth opportunities. Since no new members were elected at the General Meeting the target was not met in 2017/18.

At the operational levels of management, we aim to enhance diversity. Our values and culture appeal to people of both genders with flexible working hours and a focus on work-life balance, flat hierarchy and transparency. In 2017/18, we hired in 8 female managers.

By 2019, it is our aim that the relative percentage of females in management positions will constitute a minimum of half of percentage point of all the females of the total staff in Systematic. In recruitment, we

Management commentary

will encourage qualified female candidates to apply for vacant management positions, as well as during the recruitment process, we will invite these candidates to interview.

Currently, 29% of the total staff is female, and 17% of those hold management positions, which is an increase of respectively 3%-points and 2%-points compared to last year. We find this development satisfactory seen in the light of the gender distribution of students at the universities where Systematic typically recruits.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017/18

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>
Revenue	1	964.918.788
Cost of sales		(179.528.963)
Other external expenses	2	(132.467.392)
Gross profit/loss		652.922.433
Staff costs	3	(503.707.692)
Depreciation, amortisation and impairment losses	4	(22.197.405)
Operating profit/loss		127.017.336
Other financial income		4.364.769
Other financial expenses		(1.450.466)
Profit/loss before tax		129.931.639
Tax on profit/loss for the year	5	(30.842.609)
Profit/loss for the year	6	99.089.030

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>
Completed development projects		29.095.789
Acquired intangible assets		343.308
Goodwill		2.442.365
Intangible assets	7	<u>31.881.462</u>
Other fixtures and fittings, tools and equipment		18.650.055
Leasehold improvements		8.208.313
Property, plant and equipment	8	<u>26.858.368</u>
Other investments		6.220.200
Other receivables		7.292.345
Fixed asset investments	9	<u>13.512.545</u>
Fixed assets		<u>72.252.375</u>
Trade receivables		194.879.337
Contract work in progress	10	135.750.591
Other receivables		89.430.787
Receivables		<u>420.060.715</u>
Other investments		91.270.584
Other investments		<u>91.270.584</u>
Cash		<u>229.906.892</u>
Current assets		<u>741.238.191</u>
Assets		<u>813.490.566</u>

Consolidated balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>
Contributed capital		1.000.000
Retained earnings		92.930.500
Proposed dividend		2.000.000
Equity attributable to the Parent's owners		95.930.500
Share of equity attributable to minority interests		388.421.476
Equity		484.351.976
Deferred tax	11	12.557.105
Provisions		12.557.105
Contract work in progress	10	48.907.236
Trade payables		33.440.633
Income tax payable		40.116.994
Other payables	12	127.051.501
Deferred income	13	67.065.121
Current liabilities other than provisions		316.581.485
Liabilities other than provisions		316.581.485
Equity and liabilities		813.490.566
Unrecognised rental and lease commitments	15	
Contingent liabilities	16	
Transactions with related parties	17	
Group relations	18	
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Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Share of equity attributable to minority interests DKK
Contributed upon formation	1.000.000	113.476.000	0	374.510.370
Ordinary dividend paid	0	(25.000.000)	0	(80.000.000)
Exchange rate adjustments	0	76.595	0	1.199.981
Profit/loss for the year	0	4.377.905	2.000.000	92.711.125
Equity end of year	1.000.000	92.930.500	2.000.000	388.421.476
				Total DKK
Contributed upon formation				488.986.370
Ordinary dividend paid				(105.000.000)
Exchange rate adjustments				1.276.576
Profit/loss for the year				99.089.030
Equity end of year				484.351.976

Consolidated cash flow statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK</u>
Operating profit/loss		127.017.336
Amortisation, depreciation and impairment losses		22.197.405
Working capital changes	14	(113.195.113)
Cash flow from ordinary operating activities		36.019.628
Financial income received		4.364.769
Financial expenses paid		(1.450.466)
Income taxes refunded/(paid)		(75.676.850)
Cash flows from operating activities		(36.742.919)
Acquisition etc of intangible assets		(12.359.997)
Acquisition etc of property, plant and equipment		(15.606.268)
Acquisition of fixed asset investments		(4.539.858)
Cash flows from investing activities		(32.506.123)
Dividend paid		(105.000.000)
Cash flows from financing activities		(105.000.000)
Increase/decrease in cash and cash equivalents		(174.249.042)
Cash and cash equivalents beginning of year		495.426.518
Cash and cash equivalents end of year		321.177.476
Cash and cash equivalents at year-end are composed of:		
Cash		229.906.892
Securities		91.270.584
Cash and cash equivalents end of year		321.177.476

Notes to consolidated financial statements

1. Revenue

The Group's segments are business segments and geographical markets.

The Group's primary business segment in general consist of delivery of reliable and straightforward IT solutions and products. Secondary business segments are immaterial. Management wishes with regard to the Danish Financial Statements Act § 96 not to give additional information about the business and geographical breakdown of revenue ad a detailed breakdown of Group sales will be significantly harm the competitive situation.

The Group has no discontinued operations.

	2017/18 DKK
2. Fees to the auditor appointed by the Annual General Meeting	
Statutory audit services	835.635
Other assurance engagements	295.632
Tax services	289.823
Other services	86.450
	1.507.540
	2017/18 DKK
3. Staff costs	
Wages and salaries	464.515.601
Pension costs	24.360.633
Other social security costs	14.005.050
Other staff costs	826.408
	503.707.692
	2017/18 DKK
Average number of employees	805
	2017/18 DKK
4. Depreciation, amortisation and impairment losses	
Amortisation of intangible assets	13.719.724
Depreciation of property, plant and equipment	8.477.681
	22.197.405

Notes to consolidated financial statements

	2017/18 DKK
5. Tax on profit/loss for the year	
Current tax	45.587.169
Change in deferred tax	(14.541.522)
Adjustment concerning previous years	(203.038)
	30.842.609

	2017/18 DKK
6. Proposed distribution of profit/loss	
Ordinary dividend for the financial year	2.000.000
Retained earnings	4.377.905
Minority interests' share of profit/loss	92.711.125
	99.089.030

	Completed develop- ment projects DKK	Acquired intangible assets DKK	Goodwill DKK
7. Intangible assets			
Addition through business combinations etc	94.694.296	18.169.071	10.052.657
Additions	12.359.997	0	0
Cost end of year	107.054.293	18.169.071	10.052.657
Transfers	(66.628.706)	(17.500.179)	(5.545.950)
Amortisation for the year	(11.329.798)	(325.584)	(2.064.342)
Amortisation and impairment losses end of year	(77.958.504)	(17.825.763)	(7.610.292)
Carrying amount end of year	29.095.789	343.308	2.442.365

Delevopment projects

Completed development projects relates to software for the Defense segment. Revenue and earnings on the product marketed and sold worldwide have since the launch exceeded expectations in budgets and forecasts, and thus there are no identified indicators of impairment.

Notes to consolidated financial statements

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
8. Property, plant and equipment		
Addition through business combinations etc	56.921.974	12.756.864
Additions	10.455.230	5.151.038
Disposals	(22.220)	0
Cost end of year	67.354.984	17.907.902
Transfers	(41.824.267)	(8.124.790)
Depreciation for the year	(6.902.882)	(1.574.799)
Reversal regarding disposals	22.220	0
Depreciation and impairment losses end of year	(48.704.929)	(9.699.589)
Carrying amount end of year	18.650.055	8.208.313
	Other investments DKK	Other receivables DKK
9. Fixed asset investments		
Addition through business combinations etc	2.938.505	6.034.182
Additions	3.281.695	1.258.163
Cost end of year	6.220.200	7.292.345
Carrying amount end of year	6.220.200	7.292.345
		2017/18 DKK
10. Contract work in progress		
Contract work in progress		666.669.118
Progress billings regarding contract work in progress		(572.342.654)
Transferred to liabilities other than provisions		41.424.127
		135.750.591

Notes to consolidated financial statements

	2017/18 DKK
11. Deferred tax	
Intangible assets	6.400.454
Property, plant and equipment	(607.460)
Receivables	6.764.111
	12.557.105
Changes during the year	
Beginning of year	27.098.627
Recognised in the income statement	(14.541.522)
End of year	12.557.105
	2017/18 DKK
12. Other short-term payables	
VAT and duties	10.018.024
Wages and salaries, personal income taxes, social security costs, etc payable	19.568.800
Holiday pay obligation	67.125.309
Other costs payable	30.339.368
	127.051.501
13. Short-term deferred income	
Prepayments and accrued income related to service contracts.	
	2017/18 DKK
14. Change in working capital	
Increase/decrease in receivables	(93.205.360)
Increase/decrease in trade payables etc	(19.989.753)
	(113.195.113)
	2017/18 DKK
15. Unrecognised rental and lease commitments	
Liabilities under rental or lease agreements until maturity in total	30.930.616

Notes to consolidated financial statements

	2017/18 DKK
16. Contingent liabilities	
Recourse and non-recourse guarantee commitments	6.194.009
Contingent liabilities in total	6.194.009

The company is part of a Danish joint taxation with Michael Holm Holding ApS as the tax principal. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is liable from the financial year 2012/13 for income taxes etc. for the jointly taxed enterprises and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total net tax liability is incorporated in the accounts for Michael Holm Holding ApS.

17. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Systematic A/S, Aarhus, CVR-nr. 78834412

	Registered in	Corpo- rate form	Equity inte- rest %
19. Subsidiaries			
Systematic Holding ApS	Aarhus, Denmark	ApS	10,0
Systematic A/S	Aarhus, Denmark	A/S	60,0
Systematic Software Engineering Ltd.	Surrey, England	Ltd.	100,0
Systematic Software Engineering Inc.	Virginia, USA	Inc.	100,0
Systematic OY Finland	Tampere, Finland	OY	100,0
Systematic Sweden AB	Stockholm, Sweden	AB	100,0
Systematic GmbH	Cologne, Germany	GmbH	100,0
Systematic Asia Pacific Pte. Ltd.	Singapore	Pte. Ltd.	100,0
Systematic France SAS	Paris, France	SAS	100,0
Systematic New Zealand Ltd.	Wellington, New Zealand	Ltd.	100,0
Systematic Development Center SRL	Bucharest, Romania	SRL	100,0
Systematic Library & Learning Holding A/S	Aarhus, Denmark	A/S	100,0
Systematic Library & Learning A/S	Aarhus, Denmark	A/S	100,0
Dantek AB	Växjö, Sweden	AB	100,0
Dantek GmbH	Berlin, Germany	GmbH	100,0

Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>
Other external expenses		(25.000)
Operating profit/loss		(25.000)
Income from investments in group enterprises		6.397.405
Profit/loss before tax		6.372.405
Tax on profit/loss for the year	1	5.500
Profit/loss for the year	2	6.377.905

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18</u> <u>DKK</u>
Investments in group enterprises		95.950.000
Fixed asset investments	3	<u>95.950.000</u>
Fixed assets		<u>95.950.000</u>
Joint taxation contribution receivable		5.500
Receivables		<u>5.500</u>
Current assets		<u>5.500</u>
Assets		<u>95.955.500</u>

Parent balance sheet at 30.09.2018

	<u>Notes</u>	<u>2017/18 DKK</u>
Contributed capital		1.000.000
Reserve for net revaluation according to the equity method		6.474.000
Retained earnings		86.456.500
Proposed dividend		2.000.000
Equity		<u>95.930.500</u>
Trade payables		25.000
Current liabilities other than provisions		<u>25.000</u>
Liabilities other than provisions		<u>25.000</u>
Equity and liabilities		<u>95.955.500</u>
Contingent liabilities	4	
Related parties with controlling interest	5	
Transactions with related parties	6	

Parent statement of changes in equity for 2017/18

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed dividend DKK
Contributed upon formation	1.000.000	0	88.476.000	0
Exchange rate adjustments	0	76.595	0	0
Profit/loss for the year	0	6.397.405	(2.019.500)	2.000.000
Equity end of year	1.000.000	6.474.000	86.456.500	2.000.000
				Total DKK
Contributed upon formation				89.476.000
Exchange rate adjustments				76.595
Profit/loss for the year				6.377.905
Equity end of year				95.930.500

Notes to parent financial statements

	2017/18 DKK
1. Tax on profit/loss for the year	
Current tax	(5.500)
	(5.500)
	2017/18 DKK
2. Proposed distribution of profit/loss	
Ordinary dividend for the financial year	2.000.000
Transferred to reserve for net revaluation according to the equity method	6.397.405
Retained earnings	(2.019.500)
	6.377.905
	Invest- ments in group enterprises DKK
3. Fixed asset investments	
Additions	89.476.000
Cost end of year	89.476.000
Exchange rate adjustments	76.595
Share of profit/loss for the year	6.397.405
Revaluations end of year	6.474.000
Carrying amount end of year	95.950.000

4. Contingent liabilities

The company is the tax principal of a Danish joint taxation. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is liable from the financial year 2013/2014 for income taxes etc. for the jointly taxed enterprises and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these enterprises. The total tax liability is incorporated in the accounts for Michael Holm Holding ApS.

5. Related parties with controlling interest

Michael Holm, Lindevangsvej 17, 8240 Risskov possess the majority of the share capital of the company, and has therefore has the controlling interest.

Notes to parent financial statements

6. Transactions with related parties

The annual report only discloses transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements include the Parent Company and its subsidiaries. All financial statements included in the consolidated financial statements are prepared using consistent accounting principles. The consolidated accounts are drawn up according to the past-equity principle by aggregating the items of each company. Elimination of consolidated inter-company items has been carried out.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

For the foreign subsidiaries, the items in the income statement have been included at the exchange rate on the transaction date. The balance sheet is converted at the rate of exchange at year end. The exchange rate adjustments arising from the translation of the subsidiaries' equity at the beginning of the financial year to the exchange rate at the end of the financial year, and the exchange rate difference arising from the Translation of the income statement from the exchange rate ruling on the transaction date to the exchange rate at end of the financial year, are dealt with in the equity for the Group.

Accounting policies

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Accounting policies

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer.

Contract work in progress is recognised in the income statement based on the stage of completion, whereby revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales includes direct project costs incurred for achieving the revenue. Project costs concerning contract work in progress is recognized as incurred and is measured at cost.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

These items comprise interest income realised and unrealised capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme.

Other financial expenses

These items comprise interest expenses, the interest portion of finance lease payments, realised and unrealised capital losses on securities, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Accounting policies

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile, and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. The amortisation periods used are 5 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	5-20 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Other investments

Other investments comprise unlisted investments measured at the lower of cost and net realisable value.

Accounting policies

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Other investments

Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Accounting policies

Other financial liabilities

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

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.