ANNUAL REPORT

2017

SDC

SDC A/S • VAT no. 16 98 81 38 • Borupvang 1A • DK-2750 Ballerup • Financial year 1 January - 31 December

VISION

To provide our customers and their clients with a great banking experience at a competitive price.


A GREAT
BANKING
EXPERIENCE
AT A
COMPETITIVE
PRICE

FINANCIAL HIGHLIGHTS 2017

Revenue

1,442 million

DKK

EBITDA

16.5 %

Equity

665 million

DKK

Equity value per share

384

Equity ratio

41.4 %

Average number of employees

602

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COMPANY INFORMATION

SDC

Borupvang 1A
DK-2750 Ballerup
Telephone: +45 44 65 71 11
Website: www.sdc.dk
E-mail: sdc@sdc.dk
VAT no.: 16 98 81 38
Registered office: Denmark

Financial year: 1 January - 31 December

AUDITORS

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

GENERAL MEETING

The ordinary general meeting will be held on 14 May 2018

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and Executive Board have today considered and approved the Annual Report of SDC A/S for the financial year 1 January - 31 December 2017.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements and the consolidated financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's and the Group's operations and the Group's cash flows for 2017.

In our opinion, the Management's Review gives a fair review of the matters discussed therein.

The Annual Report is recommended for approval by the Annual General Meeting.

Ballerup, 12 April 2018

EXECUTIVE BOARD

Jesper Scharff
(managing director)

BOARD OF DIRECTORS

Klaus Skjødt
(chairman)

Sverre Vigleik Kaarbøe
(deputy chairman)

John Christiansen
(deputy chairman)

Hans Nelfelt

Árni Holger Ellefsen

Vagn Hansen

Bettina Lau
(elected by the employees)

Kim Rosenberg Hansen
(elected by the employees)

Ole Kyhnæb
(elected by the employees)

Lars Ravn
(elected by the employees)

INDEPENDENT AUDITOR'S REPORT

To the shareholders in SDC A/S

OPINION

In our opinion, the financial statements and the consolidated financial statements give a true and fair view of the Company's and the Group's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's and the Group's operations and the Group's cash flows for the financial year 1 January - 31 December 2017, in accordance with the Danish Financial Statements Act.

We have audited the financial statements and the consolidated financial statements for SDC A/S for the financial year 1 January - 31 December 2017, which comprise the income statement, the balance sheet, statement of changes in equity and notes, including accounting policies, for the Company and the Group as well as a cash flow statement for the Group ("financial statements").

BASIS OF OPINION

We have carried out our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibility under these standards and requirements are described in detail in the paragraph "Auditor's responsibility for the audit of the financial statements" in the auditor's report. We are independent of the Group in accordance with international ethics standards for auditors (IESBA's ethics standards) and the additional requirements applicable in Denmark, and we have fulfilled all our other ethical obligations under these rules and requirements. In our view, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 with our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, our responsibility is to consider whether the Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, the Management's Review is in accordance with the financial statements and the consolidated 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 the Management's Review.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements and consolidated 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 and the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We aim to obtain reasonable assurance that the financial statements as a whole do not contain any material misstatements, whether due to fraud or error, and to issue an auditor's report with an opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing 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 made on the basis of these financial statements.
As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management 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 and the Group'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 and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence for the financial disclosures for the companies or the business activities in the Group to be used to express an opinion on the consolidated financial statements. We are responsible for managing, supervising and conducting the Group audit. We have sole responsibility for our audit opinion.

We communicate with the senior management 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, 12 April 2018

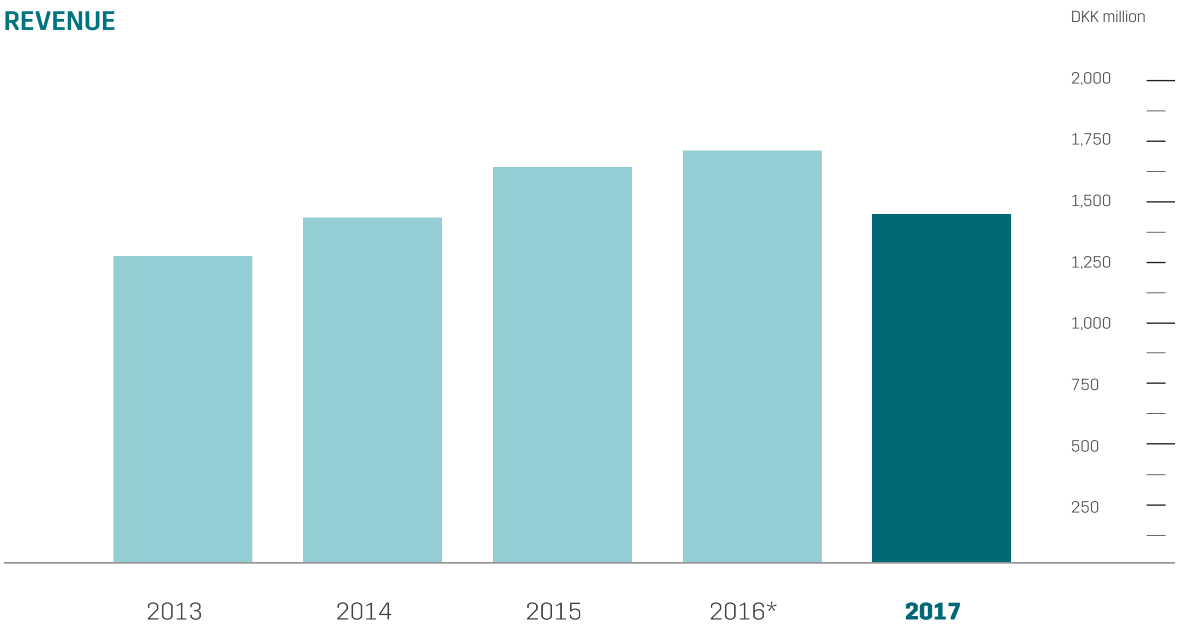
PricewaterhouseCoopers
Statsautoriseret Revision-
spartnerselskab
VAT no.: 33 77 12 31

Christian Fredensborg Jakobsen
State-authorised public accountant
mne16539

Kaare von Cappeln
State-authorised public accountant
mne11629

FINANCIAL HIGHLIGHTS FOR THE GROUP

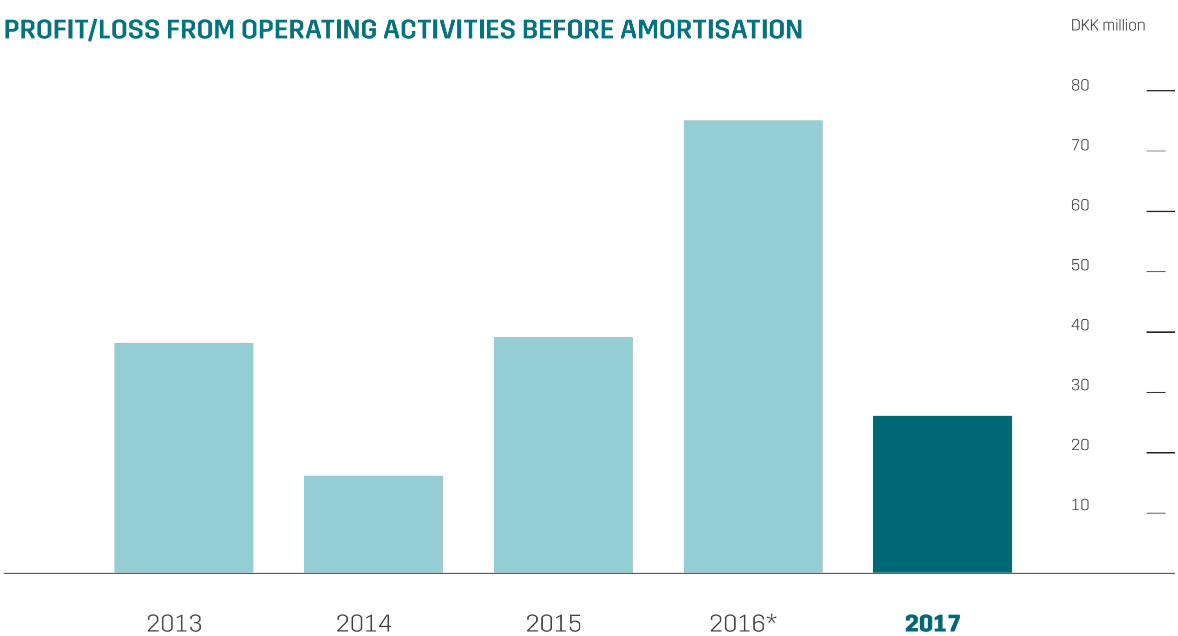
REVENUE



Growth rate YOY:	2013	2014	2015	2016*	2017
	0 %	13 %	15 %	4 %	- 15 %

* Revenue and profit were affected extraordinarily by withdrawal amounts in 2016. See page 33

PROFIT/LOSS FROM OPERATING ACTIVITIES BEFORE AMORTISATION



Financial highlights

Over a 5-year period, the development of the Group may be illustrated by the following financial highlights:

	Group				
DKK thousand	2017	2016	2015	2014	2013
Profit					
Revenue	**1,442,488**	**1,703,623**	**1,637,150**	**1,426,477**	**1,267,260**
Profit/loss from operating activities before depreciation, amortisation and impairment losses (EBITDA)	**237,939**	**286,552**	**268,162**	**227,974**	**212,433**
Profit/loss from operating activities before impairment losses (EBITA)	**26,012**	**75,213**	**39,120**	**16,255**	**38,284**
Profit/loss from operating activities	15,161	65,142	32,390	-154,804	38,284
Loss from financial income and expenses, net	-7,905	-5,749	-17,247	-14,979	-18,144
Profit/loss for the year	**4,353**	**46,660**	**10,701**	**-171,150**	**4,983**
Balance sheet					
Balance sheet total	1,607,280	1,608,772	1,604,663	1,532,422	1,623,007
Capitalised development costs	779,600	643,668	646,593	646,553	801,786
Equity	**664,665**	**642,075**	**584,462**	**539,895**	**736,633**
Cash flows					
Cash flows from operating activities	232,353	251,969	367,212	235,212	434,861
Average number of employees	**602**	**638**	**607**	**555**	**477**
Financial ratios					
EBITDA	16.5 %	16.8 %	16.4 %	15.9 %	16.7 %
Profit margin	1.1 %	3.8 %	2.0 %	-10.9 %	3.0 %
Return on capital employed	0.9 %	4.0 %	2.0 %	-10.1 %	2.4 %
Equity ratio	41.4 %	39.9 %	36.4 %	35.2 %	45.4 %
Return on equity	0.7 %	7.6 %	1.9 %	-26.8 %	0.7 %
Equity value per share (DKK)	**384**	**374**	**371**	**362**	**478**

The financial ratios have been prepared in accordance with the recommendations and guidelines of the Danish Finance Society.

Gross margin $= \dfrac{\text{Gross profit} \times 100}{\text{Revenue}}$

EBITDA $= \dfrac{\text{Gross profit exclusive of staff expenses x 100}}{\text{Revenue}}$

Profit margin $= \dfrac{\text{Profit/loss before financial income and expenses, net} \times 100}{\text{Revenue}}$

Return on capital employed $= \dfrac{\text{Profit/loss before financial income and expenses, net} \times 100}{\text{Total assets}}$

Equity ratio $= \dfrac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$

Return on equity $= \dfrac{\text{Income or loss from ordinary activities after tax} \times 100}{\text{Average equity}}$

Equity value per share $= \dfrac{\text{Equity} \times 100}{\text{Share capital}}$

GROUP STRUCTURE

In addition to the above companies, the Group has registered a branch in Norway, SDC-Norway. This branch, which currently has no activity, is registered in the Central Coordinating Register for Legal Entities (Enhetsregisteret) with Organisation number 812 774 352.

SDC A/S is the parent company of the Group. The Group's main activities comprise development, maintenance and joint purchase of IT systems and related services for more than 120 banks in the Nordic countries. IT operation services also form part of the Company's core deliveries. These services are outsourced to JN Data.

The SDC Group has activities in Denmark, Poland, Sweden and Norway and customers in Denmark, Norway, Sweden and the Faroe Islands.

The following changes have been made to the Group structure in 2017:

At the end of 2017, SDC has completed the liquidation of the company Undul AB in Helsingborg (previously SDC Sweden AB) after the transfer of all employees and activities in the company at 1 January 2016 to SDC Sweden Branch, which is a branch of SDC A/S.

In 2015, SDC established a development centre in Warsaw. This centre has grown from approx. 15 consultants at the beginning of 2015 to approx. 130 resources at the end of 2017. Today, SDC's development centre acts primarily as sub-supplier to SDC A/S. The development centre is established to be able to deliver more IT development to SDC's customers at competitive prices. The development centre is legally established as a branch of SDC A/S.

At the end of 2017, SDC has renamed the wholly-owned subsidiary DataKomm A/S to SDC Integrations A/S. The new name reflects the group affiliation and the Company's actual business area.

SDC A/S
Main activity: IT services
Geography: Denmark (Ballerup)
VAT no.: 16 98 81 38

SDC POLAND BRANCH
Main activity: System maintenance and IT development
Geography: Poland (Warsaw)
Stat. no. 364249269

SDC SWEDEN BRANCH
Main activity: IT operation, system maintenance and development
Geography: Sweden (Helsingborg)
Org. no.: 516410-0660

SDC INTEGRATIONS A/S
Main activity: IT development
Geography: Denmark (Ballerup)
VAT no.: 13 91 23 35

SDC EJENDOMME A/S
Main activity: Property renting to SDC and external
Geography: Denmark (Ballerup)
VAT no.: 31 62 97 64

REPORT

2017 – a year of change and continued expansion in the Nordics

THE DIGITAL DEVELOPMENT REQUIRES NEW THINKING

The digital development on the financial markets and new rules such as PSD2 create new opportunities and make the market accessible to new players. To banks this may seem as a threat or as an opportunity to establish new business and new partnerships.

In 2017, SDC's banks decided to invest in an Open Banking platform. This decision signals openness, willingness to invest and, not least, courage. It specifically means, inter alia, that it becomes easier to cooperate with innovative third parties and that in future SDC banks will themselves be able to reap the benefits of accounts now being owned by the customer. Time will tell how this will unfold in practice and which partnerships are formed, but the prerequisites for new behaviour on the market now exist.

2017 also became the year of major projects requiring a large degree of readiness for change at the banks. In particular, the regulatory requirements IFRS9, MiFID II, GDPR and others have been increased significantly. This increase has required the development of necessary system support as well as preparation by the banking organisations.

The regulation-based effort is supplemented by a business focus that contributes to supporting the competitiveness of the banks and strengthening their digital journey. For example, the following has taken place in 2017:

- establishment of daily, country-specific provision of balance sheet figures for all SDC banks
- establishment of sector-leading integrations of mortgage credit into the advisory universe of the banks, Advisor
- implementation of a Capital Market system, OPICS, at the large banks
- initiation of the development of a brand new e-bank and sales platform for private and corporate customers. This platform is expected to significantly strengthen the competitiveness of the banks
- establishment of a homogenous and efficient data basis for all financial reporting to the authorities across the Nordics
- development and implementation of system support to ensure compliance by the banks with IFRS9, MiFID II, PSD2 and others

2018 will be the year of special focus on the banks' end user experience and exploration of new potential partnerships.

71%

of SDC's system development is pan-Nordic

3 new banks

for SDC in 2017

ABOUT SDC

121
banks that are customers of SDC

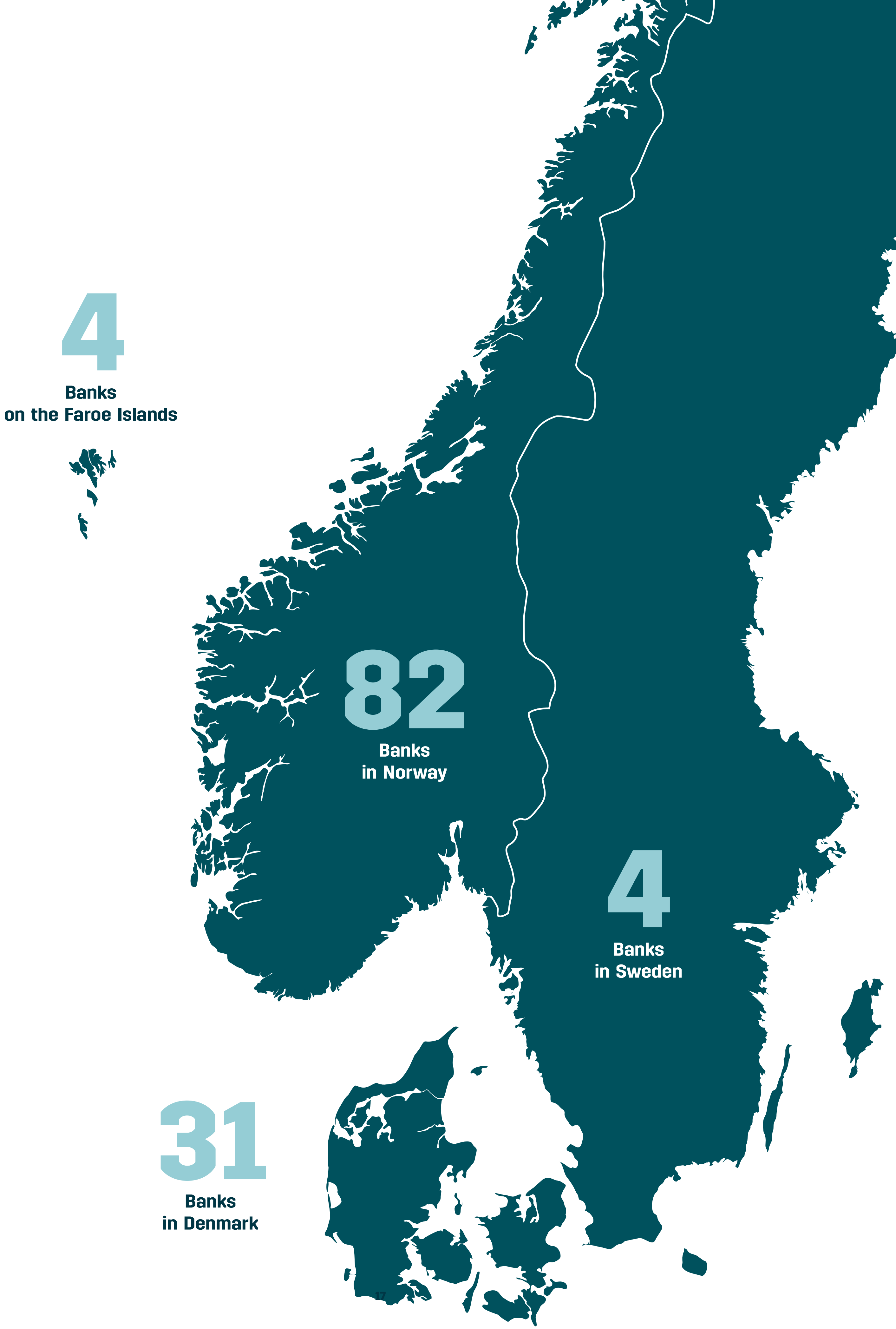
715
bank branches

10,941
workstations at the SDC banks

9,313
employees in the SDC banks

7.6 million
customer account with the SDC banks

2.9 million
customers with the SDC banks


4
Banks
on the Faroe Islands
82
Banks
in Norway
4
Banks
in Sweden
31
Banks
in Denmark

CUSTOMERS AND MARKET

In 2017, SDC has further consolidated its position as an attractive IT partner for small and medium-sized banks in the Nordic countries. SDC has not least benefitted from the activity on the Norwegian market where several new banks have been established. Three Norwegian banks have thus chosen SDC as its strategic IT partner in 2017.

New customers

SDC has welcomed 16 new banks throughout the Nordics since 2014.

2017

MyBank
Næringsbanken
Maritime & Merchant Bank

2016

Ekobanken
Oikos
Stadil Sparekasse
J.A.K.

2015

Sandnes Sparebank
Lån & Spar Bank (Sweden)
easyBank
Skandia
Personellservice
Cultura Bank

2014

BlueStep
Saxo Bank
Storebrand Bank

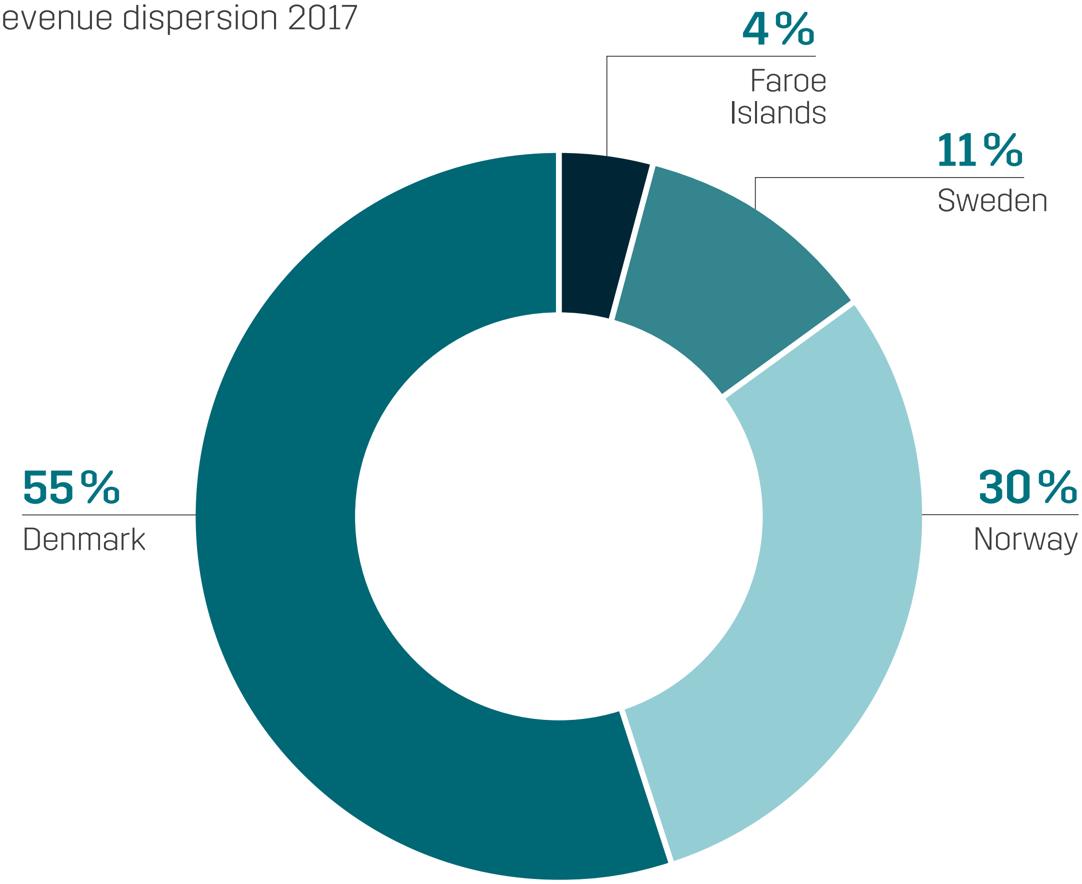
In total, SDC has welcomed 16 new banks throughout the Nordics since 2014. At the same time, there is growing consolidation, especially on the Norwegian market. Several Norwegian SDC savings banks have merged with each other in 2017 and revenue at SDC has thus been preserved. At the end of 2017, 121 small and medium-sized banks in Denmark, Norway and Sweden and on the Faroe Islands were customers of SDC. The large majority of these banks are shareholders of SDC.

A common feature of the banks in SDC's customer group is that they want to be close to their customers and provide personal consultancy services, often based on a strong local or regional commitment and profile. Furthermore, SDC sees that several new banks with focus on self-service and with Nordic growth ambitions show an interest in SDC's ability to provide a Corebank platform that supports pan-Nordic banking operation. SDC's ambition is to provide positive banking experiences at competitive prices. Through strong focus on common IT development, economies of scale, standardisation, cost control and price-effective solutions, SDC contributed to increasing the bank's competitiveness.

As an important element in this, the share of pan-Nordic system development is maintained at the same level as in 2016. 71 % of SDC's common development is pan-Nordic development. It contributes to price-effective solutions and lower IT costs for the individual bank. The significant pan-Nordic aim in SDC's system development is expected to be maintained in 2018.

SDC is focused on keeping up to date on the banks' commercial situation and the associated IT needs. This will take place, inter alia, through a number of fora, which will be adjusted continuously to the current possibilities and needs of the banks as well as SDC. In 2017, the common development has comprised more than 40 projects with main emphasis on strategic projects that support the banks' long-term development. This specifically concerns development that supports sector initiatives for streamlining of processes, development that expands the banks' corporate offers and development that creates an efficient data warehouse.

Revenue dispersion 2017



Revenue dispersion 2013 – 2017

(exclusive of extraordinary lump-sum income associated with shareholder withdrawal)

	2013	2014	2015	2016	**2017**
DK	60 %	58 %	55 %	59 %	**55 %**
NO	24 %	22 %	26 %	27 %	**30 %**
SE	12 %	16 %	15 %	10 %	**11 %**
FO	4 %	4 %	4 %	4 %	**4 %**

In addition to the common development, a number of commercial projects have been implemented, where SDC adjusts and expands the common system foundation for specific business needs at the individual customer.

ECONOMIES OF SCALE CREATE POTENTIAL FOR ADDITIONAL GROWTH

IT is becoming an increasingly important parameter for the competitiveness of banks. The banks' ability to meet customer needs and statutory requirements, and to further develop the business, is conditional upon the availability of the necessary IT support at a fair price. At the same time, the banks want to have co-influence on the IT delivery since this is the best way to ensure their independence in the long term.

SDC has a unique position with potential for significant additional growth on the market. The foundation, consisting of a modern core System and a flexible integration platform combined with a strong focus on shared solutions for common needs, appeals to most banks in the Nordic countries.

Within its market segment, SDC is now the only full-service provider on the Nordic market which is able to deliver its services throughout the Nordic countries. SDC is thus also the only IT partner which is able to take advantage of economies of scale across the Nordic market, which is vital for the competitiveness of the banks.

Furthermore, SDC's solid presence on the market supports a long-term relation within the IT area. For a bank, the change of core system and IT partner is often motivated by cost reductions in order to ensure the competitiveness and independence of the bank in the long term. This very much makes the choice of new system and new partner a strategic business decision. Therefore, the certainty of a stable cooperation with a durable IT partner is vital. SDC's broad customer base, which includes more than 120 banks, and the distribution of SDC's customers across the Nordic countries make SDC resilient to shifts in the market.

FLEXIBLE AND CUSTOMISABLE SOLUTIONS

The community around SDC and the use of shared systems solutions do not entail any requirement for business standardisation. The flexibility of the SDC systems portfolio and architecture offers ample opportunities for the individual bank to have an individual profile. The flexible and component-based structure of the systems means that each individual bank can model functions and data and their presentation to match the individual needs and profile of the bank.

An open and standardised system structure also ensures that the banks are able to supplement SDC's systems and system development with third-party systems and their own development. This gives the individual banks and groups of banks unique opportunities to tailor an IT platform which has been optimally adapted to the bank's business needs and relations – and which combines the advantages of economies of scale and shared solutions with an individual freedom of choice.

Some of the banks which have turned to SDC in recent years use SDC's entire product range, while others use SDC's Corebank as a system platform with their own business applications on top.

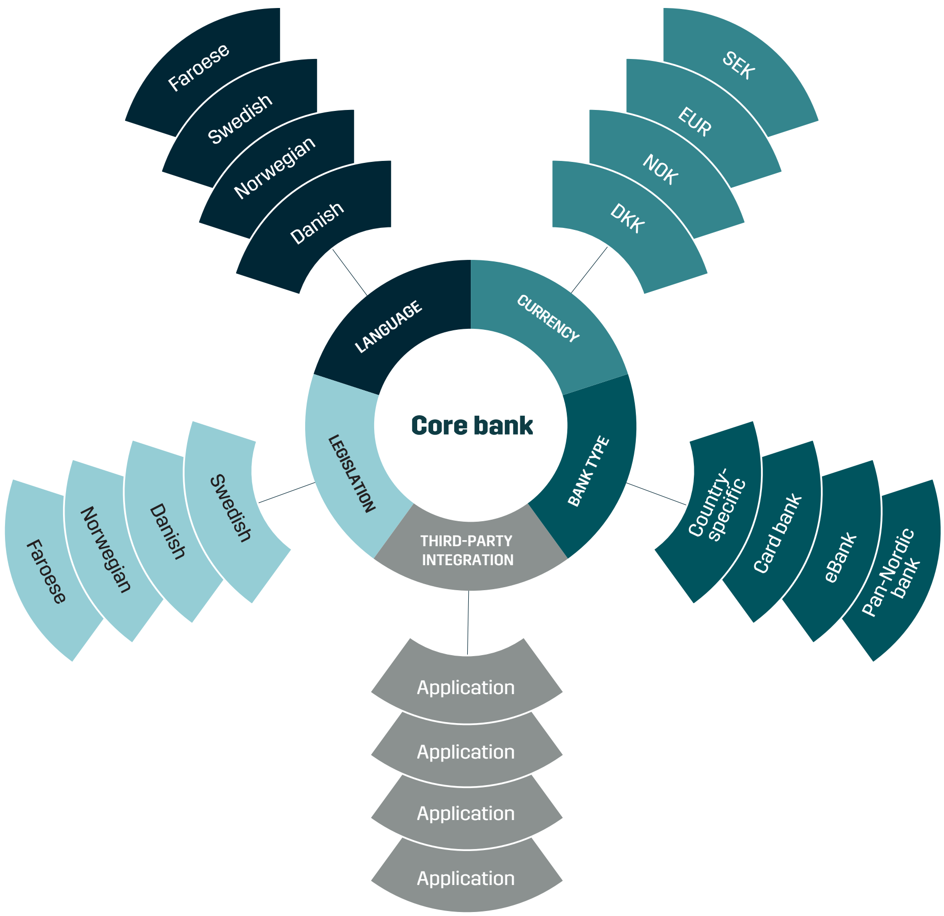
Pan-Nordic system development

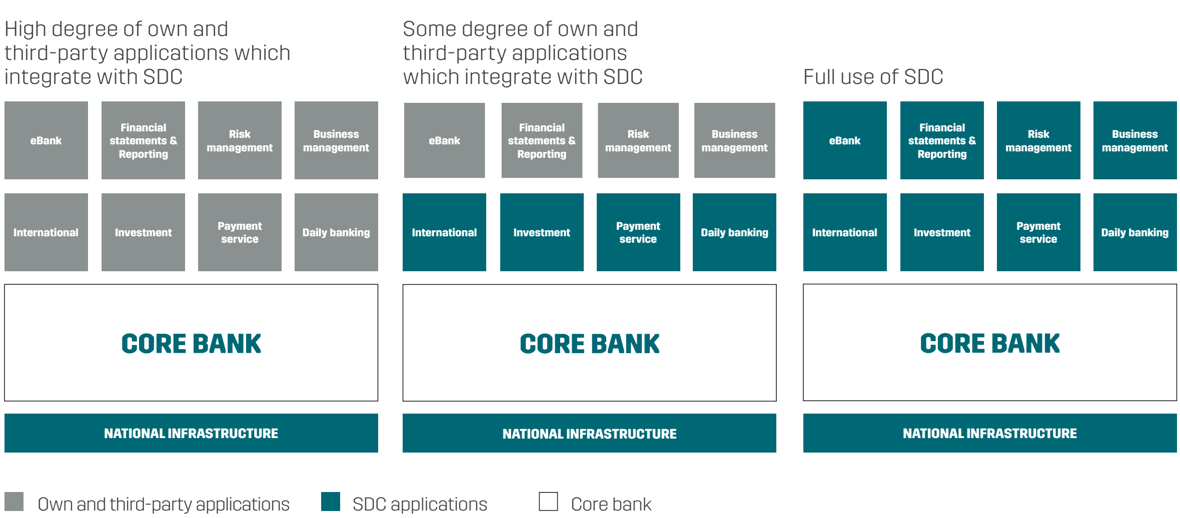
Most of SDC's system development is for use across SDC's Nordic banks. In 2017, pan-Nordic system development accounted for 71 % of SDC's total common development.

	2014	2015	2016	**2017**
Pan-Nordic development	63 %	69 %	71 %	**71 %**
Country-specific development	37 %	31 %	29 %	**29 %**

Flexible system design

A flexible modular system portfolio with open standardised interfaces ensures that the individual bank is able to tailor its IT platform to its own business profile. In this way, the advantages of economies of scale are combined with shared solutions with individual freedom of choice.
The solution is based on a modern, pan-Nordic Corebank platform onto which business applications and services from SDC, third-party providers or the bank itself are added.





GLIMPSES FROM 2017

The banks' new graphically oriented advisory platform

Advisor

is expanded by Pension

SDC becomes new service provider in the Norwegian map infrastructure

Baltus 2

MyBank

changes to SDC

As the first in the Nordics, the SDC banks are upgraded to SAS AML 7.1 for

Anti-money laundering

Nærings-banken

goes to market with SDC as IT supplier

Market-leading
risk engine
Algo Risk
is launched

Maritime & Merchant
concludes agreement
on using SDC
as future
IT partner

New Capital Market
platform
Opics
is launched in
largest
banks

SDC starts
development of
market-leading
e-banking and
sales platform
NEoS

Response times
in internet banks
are reduced
by
25%

IN LINE WITH THE CUSTOMERS' VALUES

CORPORATE SOCIAL RESPONSIBILITY

SDC sees itself as part of a financial infrastructure enabling secure and responsible handling of banking transactions.

SDC's most important contribution to a well-functioning financial infrastructure is to:

- ensure flexible and secure execution of all financial transactions
- offer solutions to our customers that ensure that they comply with new and existing statutory requirements
- enable inexpensive and secure banking business

In particular, SDC plays a central role in securing the IT basis for the execution of banking business in the more than 120 small and medium-sized banks that make up the Company's customer basis.

SDC operates in a mature and well-regulated sector offering services to customers that are themselves subject to strict regulation and attention. Like SDC's customers, SDC is subject to supervision by the Danish Financial Supervisory Authority. On this basis, our approach to corporate social responsibility targets local challenges and issues on our markets in line with values and expectations of the Company's owners.

In 2017, the daily display of this ambition is supported by the preparation of a general CRS strategy consisting of a CSR risk assessment and a CSR policy covering environment and climate, social conditions and employee conditions, anti-corruption and human rights. Furthermore, the requirements to be fulfilled by the Company's suppliers have been formalised and formulated in a Code of Conduct.

Within IT security, SDC's IT environments are managed on the basis of a risk management process based on ISO 27005. With a special focus on data security, SDC's products and processes are audited by internal as well as external system audit, and SDC is audited regularly by the Danish Financial Supervisory Authority. SDC has a well established IT security policy which ensures effective control of the employees' and external persons' access to SDC's premises and data, limits inconvenience in connection with operational breakdowns and protects data with respect to confidentiality, reliability and accessibility. In 2017, SDC was once more PCI certified.

ENVIRONMENT AND CLIMATE

SDC sees climate change as a real challenge and wants to contribute to a positive development. As part of this, SDC continues its focus on limiting the amount of energy, mainly electricity, consumed by the Company. This has taken place, inter alia, by energy optimisation of lighting, IT and building operation etc. at SDC's domicile in Ballerup. The result has been a reduction in electricity consumption of 6 % in 2017. The falling electricity consumption of previous years thus continues.

Furthermore, SDC's operations supplier, JN DATA A/S, has established a cooperation with the Municipality of Silkeborg so that excess heating from cooling of server rooms etc. may be used for residential heating.

Similarly, SDC seeks to reduce its water consumption. In 2017, this has been done by replacing fittings and a wash line in the Company's kitchens, which has reduced consumption by 16 % in 2017.

In addition, SDC continuously increases the use of IT based meeting solutions in order to reduce the employees' travel activity, and SDC's pool cars for transport within the local area have been replaced by hybrid cars that can run on both electricity and gasoline.

Since 2013, SDC has reduced its electricity consumption by

16 %

SOCIAL CONDITIONS AND EMPLOYEE CONDITIONS

It is important for SDC to be an attractive workplace where the employees are treated with respect and without any form of discrimination. SDC therefore supports ILO's core conventions and the parts of the UN Global Compact that involve employee rights.

As part of this, we continuously strive to ensure diversity among our employees with respect to age as well as gender. Furthermore, we have employees working under the flex job scheme as well as trainees. SDC's employees are employed under conditions as described in relevant collective agreements/agreements.

The 2017 employee turnover at SDC has been in line with the rest of the sector. As a reflection of this, the development within age composition and gender composition has been moderate in 2017.

HUMAN RIGHTS

SDC wants to make a positive contribution to the local society and the people we are in contact with. This effort is inspired by, inter alia, the ILO Declaration on Fundamental Principles and Rights at Work.

In 2017, SDC prepared a Code of Conduct, in which it is described how SDC expects its suppliers to act with respect to compliance with fundamental human rights. All the Company's existing and new suppliers will be informed of this Code of Conduct in the future.

The employees' personal data are protected from misuse by means of security and compliance measures. Since 2016, SDC has had its own Data Protection Officer (DPO) and it has ongoing projects to ensure that SDC fulfils the new authority requirements regarding handling and protection of personal data, including employee data, when the General Data Protection Regulation enters into force in May 2018.

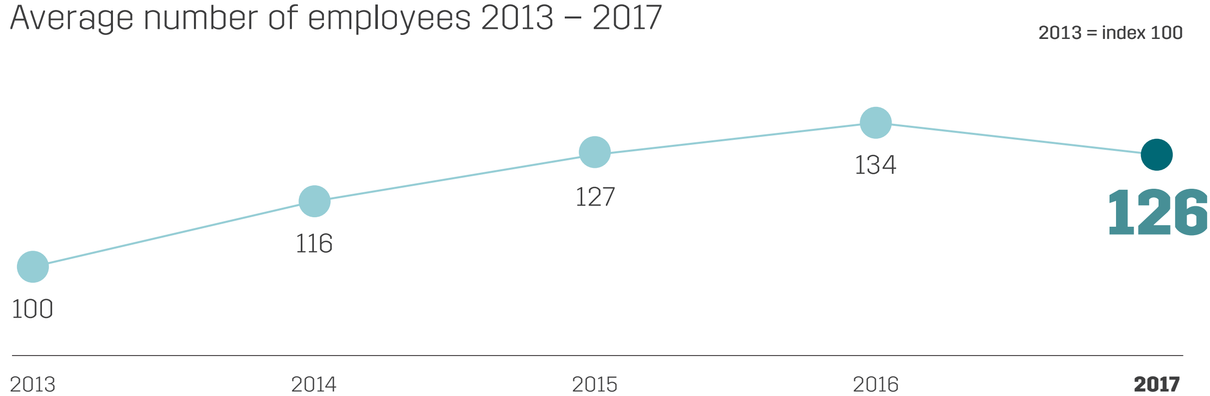
ANTI-CORRUPTION

At SDC, we will neither offer nor accept any form of bribery. We find that an open and transparent business climate is beneficial to all players in our business.

During the year, SDC has made a targeted effort to communicate the Company's procurement policy to all employees. This is part of the Company's effort to continuously ensure that all the Company's employees are acquainted with guidelines and policies.

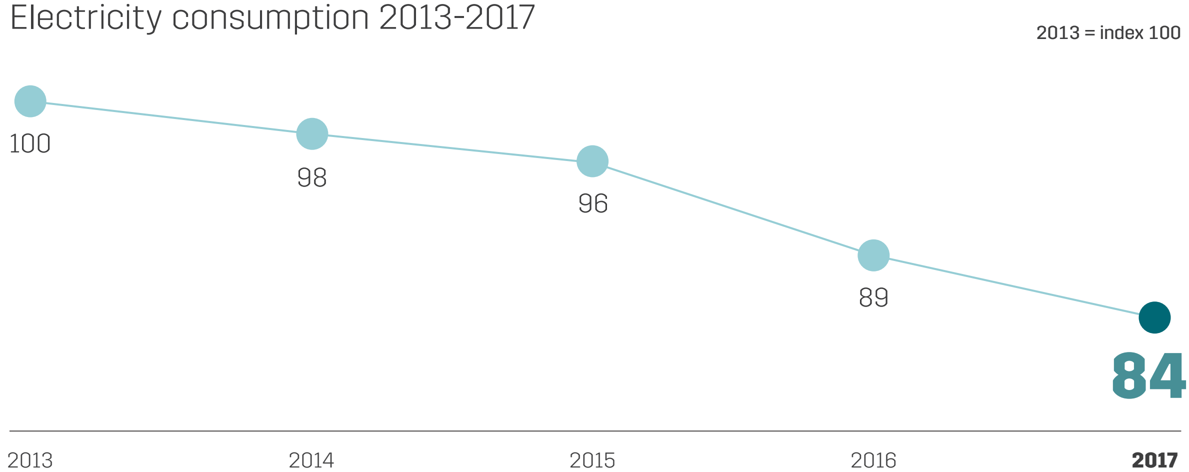
Furthermore, existing and new suppliers will be made aware of SDC's views on corruption and bribery as formulated in the 2017 Code of Conduct.

Average number of employees 2013 – 2017

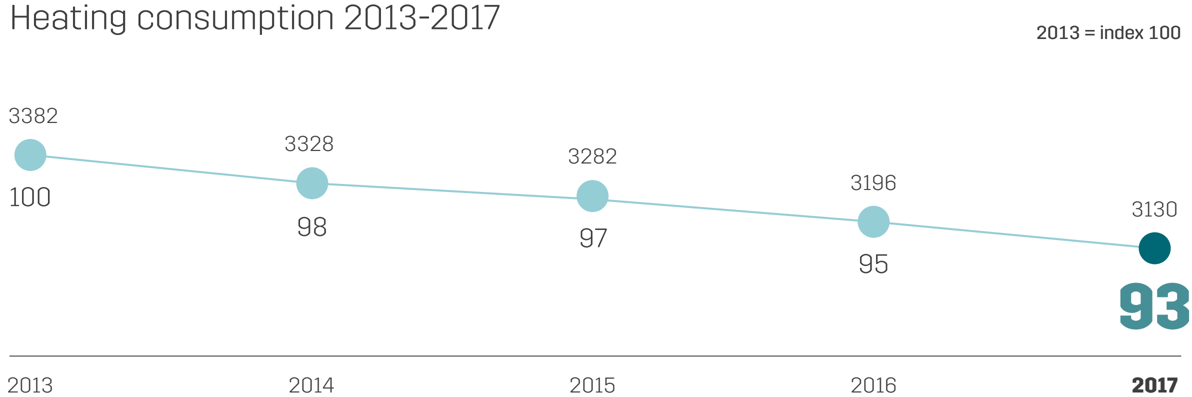


Although the number of employees has increased by more than 25 % over the last five years SDC has reduced its energy and water consumption notably during the same period.

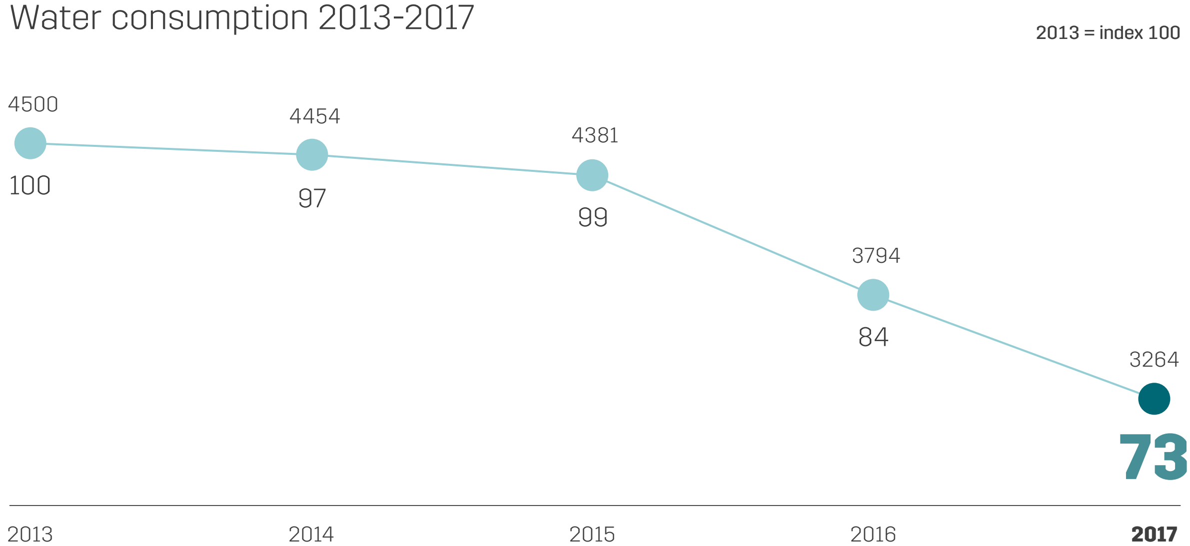
Electricity consumption 2013-2017



Heating consumption 2013-2017



Water consumption 2013-2017




MORE THAN 600 COMMITTED EMPLOYEES IN FOUR COUNTRIES

HUMAN RESOURCES

If SDC is to deliver innovative solutions to new as well as existing customers the Company needs to be able to continue to attract, retain and develop competent and committed employees. An ongoing effort is therefore made to ensure the best possible employee composition and motivating conditions for the employees.

TARGET FIGURES

In 2017, the SDC Group had an average of 602 employees (based on the ATP method). 554 of these are employed by SDC A/S while 48 are employed by subsidiaries and branches in Denmark, Sweden, Norway and Poland.

After conversion to full-time employment (FTE), the total number of employees in the Group decreased by 66 FTE in 2017 - from 631 FTE at the beginning of the year to 565 at the end of the year. This is an intentional adjustment which reflects the reduction in SDC's revenue in 2017 and an increased focus on the use of nearshore resources in Poland. The number of employees has predominantly been adjusted through natural wastage.

DESCRIPTION OF GENDER COMPOSITION

SDC's policy is to recruit the best qualified candidates, irrespective of gender, for all positions. In connection with recruitment and promotion for managerial positions, SDC makes an effort to ensure that both genders are represented among the final three candidates.

The gender composition for the Group's employees is 64 % men and 36 % women. At managerial level, the gender composition is 61 % men and 39 % women. SDC finds the gender composition satisfactory considering the nature of the sector.

At board level, there have been no changes to the group of owners in 2017 that have affected the gender composition. All board members elected by the shareholders are men. This largely reflects the gender composition on the executive boards with SDC's shareholders. The board of directors still aims to have the underrepresented gender represented on the board by at least one person by the end of 2020. The practical implementation of this depends on the composition and internal distribution of responsibility on the executive boards of SDC's shareholders. SDC's board of directors has a representative for the underrepresented gender elected by the employees.

WORKING ENVIRONMENT AND CULTURE

SDC is an IT Company which is closely integrated with the financial sector. Based on the agreements and standards applicable to the sector, we aim to create a working environment and a culture which attracts and retains competent and committed employees, which promotes innovation and professionalism, and which contributes to new thinking and development to the benefit of SDC's customers, SDC and the employees themselves.

The Company ensures good and orderly working conditions for its employees at the parent company as well as the Group's branches and other companies. For SDC A/S and the branch in Sweden, collective agreements have been concluded with relevant trade unions.

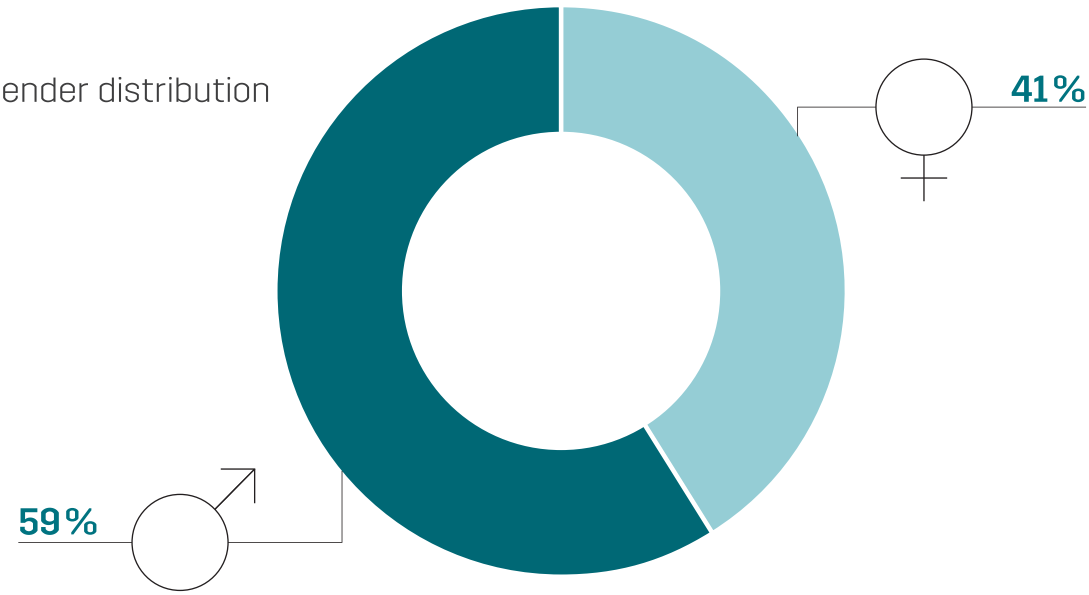
As an important factor in SDC's resource strategy, SDC has a well-established nearshore set-up in Poland. SDC cooperates with responsible and recognized partners and regularly ensures that the cooperation partners fulfil their obligations regarding working conditions. At the end of 2016, SDC carried out its first own recruitment procedure at the Polish branch and additional employees have been hired during 2017.

SDC values diversity among its employees with respect to age, ethnicity, gender etc., and the employees' lives both in and outside SDC are regarded as interrelated with mutual effect. SDC finds it important to maintain mutual flexibility and respect in the working relationship, thus supporting SDC's and the individual employee's situation and needs.

In support of this, SDC regularly carries out a survey of job satisfaction, commitment and working conditions among the Group's employees. Surveys carried out so far have assessed SDC to be an attractive workplace in line with companies and sectors in SDC's benchmark group (the sector "IT and Consultancy" and "Private Sector"). The next general employee survey is planned to take place in the autumn of 2018. The workplace assessment shows general satisfaction with the physical and psychological working environment in SDC.

SDC actively supports the effort to generate innovation. This takes place, inter alia, through financial support and participation in the work on Copenhagen FinTech, which is a cooperation between a number of companies affiliated

Gender distribution



Development in gender distribution

	2013	2014	2015	2016	**2017**
Total employees	66 % M 34 % W	64 % M 36 % W	63 % M 37% W	65 % M 35 % W	**59 % M** **41 % W**
Management	–	63 % M 37% W	58 % M 42 % W	63 % M 37% W	**61 % M** **39 % W**

with the financial sector and the Danish Financial Services Union. The purpose of this cooperation is to create a Danish growth environment for FinTech companies.

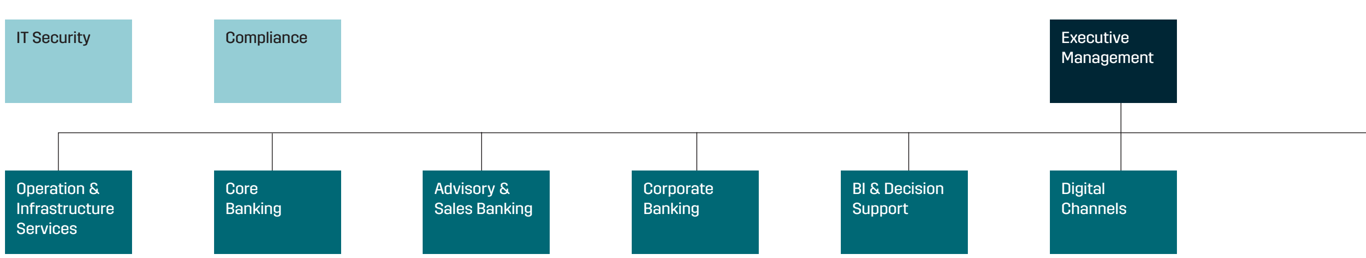
DEVELOPMENT OF EMPLOYEES AND EXECUTIVES

For SDC as an IT company, knowledge is key. Therefore, we attach great importance to competence and performance development of both employees and executives.

All employees have an annual employee development interview where goals, performance and development requirements are determined individually and progress is monitored continuously. In order to identify expectations and development potential, SDC has continued its work in 2017 to create a better overview of positions, job

Organisation

SDC has a flat organisation with short decision paths and significant openness. The organisational areas reflect the business areas at our customers and support the realisation of SDC's visions and strategies.

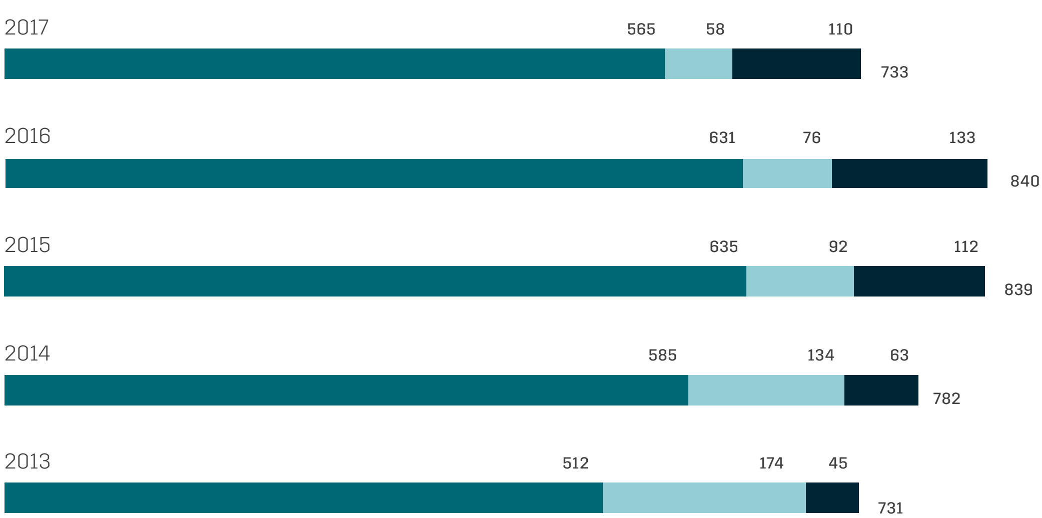


descriptions and career opportunities at SDC. The work with development plans for the employees and handling of key resources contribute to ensuring SDC's ability to deliver and flexibility.

Furthermore, a targeted effort is made to facilitate the innovative culture at SDC, which is vital to a knowledge company. Among other things, SDC's employees are able to increase efficiency in internal communication by means of a recognised profile tool that generates a better understanding of differences and personal preferences. Innovation also takes place through increased digitalisation of SDC's internal work processes, which enables the employees to act effectively and professionally within many areas. There is constant development in and outside SDC and SDC's executives are instrumental in the successful implementation of new measures. Therefore, when recruiting and appointing executives at SDC, focus is on their ability to drive change.

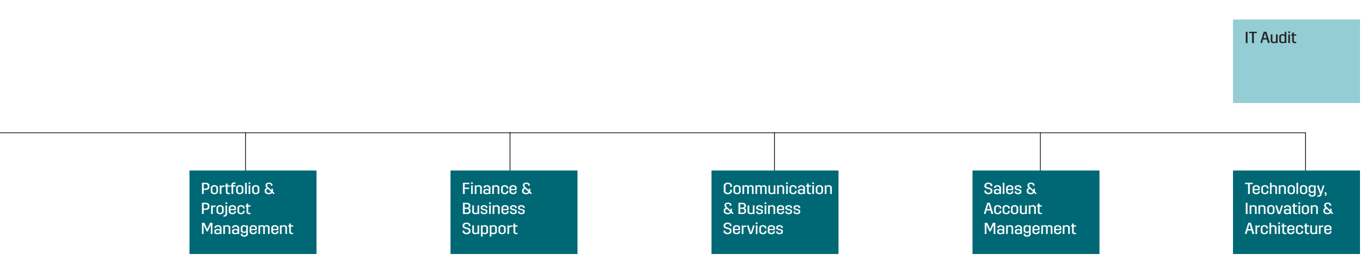
On top of the common onboarding courses, which all new employees attend, onboarding sessions are held regularly for managers, at which all new managers are briefed on what is expected of them, processes and tools. Furthermore, the managers at SDC are supported by the management development program – SDC Leadership Academy – which was expanded in 2017, after launch in 2016, and will be continued in 2018.

SDC's resources 2013–2017 (FTE, year-end)



- Employees in the Group
- External consultants
- Offshore and nearshore resources

The total number of employees in the Group has decreased by 66 FTE during 2017. This decrease is a natural consequence of the reduced revenue and increased focus on the use of nearshore resources in Poland. The number of employees has predominantly been adjusted through natural departure.



GROWTH IN DEVELOPMENT ACTIVITIES CONTINUES

FINANCIAL POSITION

DEVELOPMENT IN REVENUE

In the financial year, the SDC Group has generated revenue of DKK 1,442 million. This is a decrease of DKK 261 million compared to revenue in 2016 (DKK 1,704 million). The decreased revenue is in line with the Company's expectations as expressed in the annual report for 2016.

The revenue reduction is due to the termination of the withdrawal amount, which was included in the 2016 revenue, corresponding to DKK 130 million, and the termination of ordinary operating income from withdrawn customers, which was recognised at DKK 124 million, and other minor adjustments of DKK 7 million.

The geographical distribution of total group revenue is 55 % of revenue from the Danish market and 30 % of revenue from the Norwegian market. The Swedish and Faroese markets account for 11 % and 4 %, respectively, of total revenue in 2017.

Nominally, the Company's sales to Danish customers have decreased by DKK 297 million, which is primarily due to adjustments regarding termination of income from withdrawn customers.

On the Norwegian market, revenue has nominally increased by DKK 53 million, which is primarily due to the influx of new customers and numerous commercial activities for existing as well as new customers.

On the Swedish and Faroese market, revenue has decreased marginally compared to 2016. The higher revenue in 2016 was related to specific commercial development projects delivered in 2016.

One of the characteristics of SDC is that the Company does not have one large, dominant customer on which the Company relies for its survival. SDC's largest individual customer accounts for just under 9 % of group revenue while the smallest customer accounts for less than 1 %. The significant dispersion of revenue on many banks makes SDC very resilient to shifts in the market and the customer group. This has become quite relevant after the announcement from the Danish Financial Supervisory Authority regarding the NEP requirements and their consequences. SDC finds that due to its significant revenue dispersion the Company is not subject to the same exposure as data centres with one dominant customer.

Another element in this connection is the national dispersion of SDC's customers. The fact that SDC's revenue is generated across the Nordic borders further increases SDC's resilience to events and changed in the financial sector.
The Group's revenue broken down on types of services is largely unchanged compared to previous years.

EBITDA RESULT

SDC's EBITDA result for 2017 is DKK 238 million, equivalent to 16.5 % in EBITDA. This is largely the same as the EBITDA result for 2016, which was DKK 286 million, or 16.8 %. However, the EBITDA result for 2016 was realised based on revenue that was DKK 261 million higher than in 2017.

Development in EBITDA

2013	2014	2015	2016	**2017**
16.7 %	15.9 %	16.4 %	16.8 %	**16.5 %**

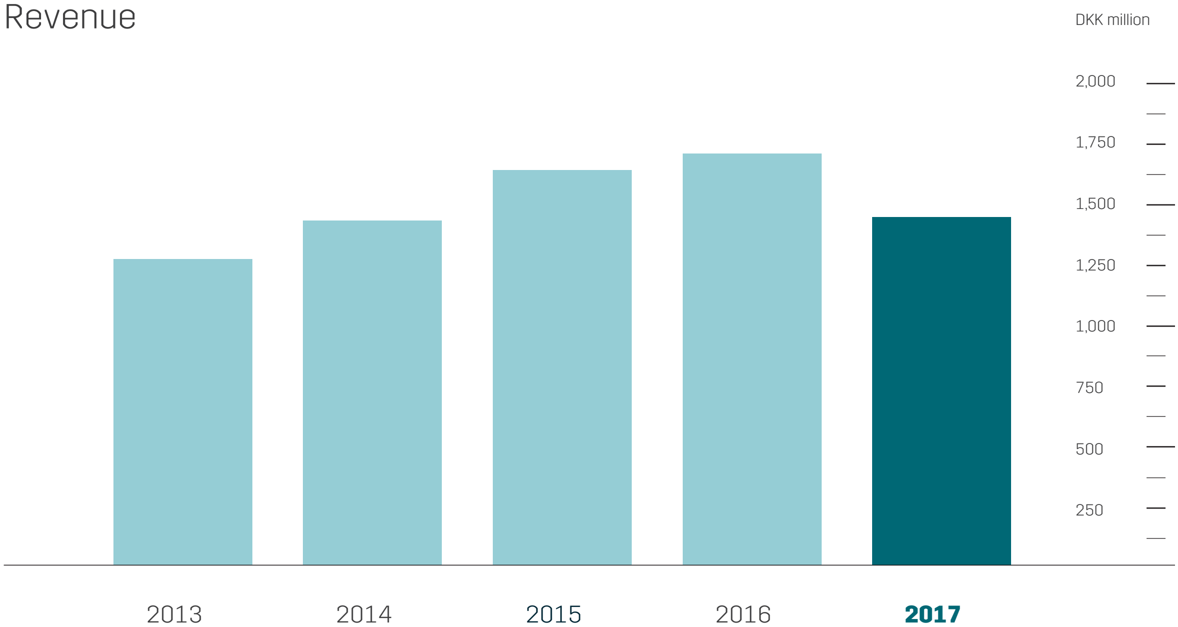
If SDC has been able to maintain an unchanged gross profit despite a decrease in revenue of DKK 261 million, it is due to the implementation of a comprehensive cost reduction program, under which SDC's variable and fixed costs have been continuously adjusted during the period 2016 and 2017. This involves costs associated with SDC's infrastructure and operation (CPU consumption, software licences, number of servers, costs for communication lines etc.) and costs associated with SDC's locations, including

Development activities in 2017

602

million DKK

Revenue



Growth rate YOY:	2013	2014	2015	2016	2017
	0 %	13 %	15 %	4 %	- 15 %

down-scaling of the Company's Swedish location. Furthermore, there is renegotiation of a number of contracts and continuous adjustment of the number of SDC's external resources and own employees to the lower activity level. This adjustment has primarily taken place through natural wastage.

NEARSHORE

Throughout the financial year, SDC has maintained the capacity within nearshore at its development centre in Warsaw at a level corresponding to approx. 130 resources at the end of 2017 (2016 = approx. 140 resources). Of the total number of resources, approx. 10 % are permanent employees while the rest are external consultants. SDC is constantly striving to optimise methods, tools and infrastructure to ensure an even more efficient use of its resources in Poland with respect to system maintenance as well as system development.

Consequently, in 2017 SDC has been able to increase the part of system maintenance that is carried out in Poland to 32 % in 2017 compared to 25 % in 2016.

SDC expresses the share of the total number of hours spent on a service that is provided by nearshore resources (as opposed to SDC resources in Denmark and Sweden) as the "blend rate" of the service. For development projects, the blend rate in 2017 was 17 % compared to 15 % for 2016, while the share of development hours spent by SDC employees increased from 63 % to 68 %. Consequently, the number of hours delivered by external consultants in Denmark decreased from 22 % in 2016 to 15 % in 2017, which has a positive effect on the average hourly rate per development hour.

As stated above, the nearshore resources carry out both development and maintenance tasks for SDC with emphasis on maintenance, as geographical and cultural proximity to the customers and, not least, an understanding of the customers' business are advantages within system development.

STAFF EXPENSES

For the financial year 2017, staff expenses may be stated at DKK 551.6 million before transfer to development projects. Of the gross staff expenses, basic salaries account for 79 %, pensions account for 8 % and other staff expenses (primarily payroll tax) account for 12 %. The gross payroll costs includes a total provision of DKK 5.0 million regarding dismissed employees.

In 2017, the average gross costs per employee amount to DKK 916,000 including pension and payroll tax compared to DKK 913,000 in 2016. This corresponds to a gross increase of 0.3 % in 2017. The increase should be seen in the context of cost increases that are outside SDC's control, corresponding to approx. 2.4 % during the period. This involves a negotiated salary adjustment of +1.9 % at 1

July 2017 and an adjustment of the payroll tax at 1 January 2017 of +0.5 %.

Of the total gross staff expenses of DKK 551.6 million, DKK 160.3 million has been transferred to development projects which are capitalised, and direct staff expenses charged to the profit and loss account for the period are thus realised at DKK 391.3 million, which is recognised in the profit for the period.

DEPRECIATION, AMORTISATION AND FINANCIAL INCOME AND EXPENSES, NET

The Company's depreciation and amortisation/impairment in the financial statements for 2017 amounts to DKK 223 million (2016 = DKK 221 million). Reference is made to note 3 in "Notes to the financial statements" for specification of depreciation and amortisation. Total depreciation and amortisation for the period is at the same level as for 2016.

The Group's net financial expenses are stated at DKK -7.9 million in 2017 (2016 = DKK -5.7 million) after set-off of financial income. The reason for the increase in financial expenses is that the Group has not had the same liquidity inflow in 2017 as in 2016. In 2016, the inflow was affected by ingoing payments of withdrawal amounts and release of liquidity in the Company in connection with sale of own shares.

PROFIT/LOSS FOR THE YEAR

Profit before tax for the financial year 2017 amounts to DKK 7.3 million (2016 = DKK 59 million), which corresponds to a normalized profit for the SDC Group over a period of five years.

The Group's operating profit (profit before financial items) for 2017 is stated at DKK 15 million, corresponding to 1 % of revenue (2016 = DKK 65 million). The profit for the financial year is in line with the expectations as communicated, inter alia, in the annual report for 2016 and at the same level as the profit for 2015 and 2016 when the latter was adjusted for additional withdrawal amount.

A tax expense of DKK -2.9 million has been included in the financial statements for 2017. This item concerns mainly tax payments in the Group's foreign branches (DKK 1.7 million), see the Company's policy for transfer pricing and adjustment of the Company's tax asset (DKK 1.2 million). Adjustment of the tax asset is non-payable tax. The Group's profit after tax is stated at DKK 4.4 million, which is in line with the Group's expectations.

SDC'S DEVELOPMENT COSTS

In 2017, SDC has incurred development costs of DKK 602 million (2016 = DKK 560 million). The total development activity comprises costs for common development and adaptation of SDC's system portfolio to existing and future statutory and sector requirements, new development of the Company's common system portfolio and system support of process optimisation in relation to new and existing systems (DKK 366 million). To this should be added commercial system development for individual customers (DKK 236 million).

SDC has had a net increase in the capitalised development costs of DKK 136 million during the period. The addition concerns primarily investments in two new platforms, SDC Advisor, which is a new advisory platform, and NEoS, which is a new e-banking and sales platform, and within the regulatory area, IFRS9 and MiFID II.

In addition to these large projects, the Company has completed a total of 15 projects during the financial year. The specific projects cover a broad range within digitalisation, Capital Market, Business Intelligence, new accounting platform and new risk management tools.

SDC's activities for the last three financial years

Amount in DKK million	2015	2016	**2017**
Opening balance sheet system capitalisation	647	647	**644**
Depreciation, amortisation and impairment losses for the year	-193	-190	**-190**
Additions	193	187	**326**
Balance sheet at year-end	647	644	**780**

LAND AND BUILDINGS

In the consolidated financial statement for 2017, the book value of the Group's land and buildings is stated at a total amount of DKK 409 million, which is at the same level as the book value in 2016 (DKK 411 million).

The Company's land and buildings are valued at market value. In this connection, SDC has obtained a market value assessment from an independent realtor at year-end 2016, who has assessed the value of SDC's properties at DKK 463 million. This valuation has subsequently been verified at the end of 2017.

In the valuation in the financial statements, SDC has decided to make a deduction in relation to the external market valuation to compensate for vacancy rent and the general market situation in the local area, and the valuation in the financial statements (DKK 409 million) for 2017 has therefore been maintained at largely the same level as the 2016 financial statements (DKK 411 million).

EQUITY

The Group's equity at the end of 2017 has been stated at DKK 665 million compared to DKK 642 million at the end of 2016. The increase in equity of DKK 23 million is a consequence of the profit after tax for the period (DKK 4.4 million), sale of own shares (DKK 5.6 million) and adjustment of the value of land and buildings at market value (DKK 12 million).

CASH FLOWS AND LIQUIDITY

SDC's net cash at bank and in hand amounts to DKK 57 million at the end of 2017 compared to a net amount of DKK 173 million in 2016. The development in cash at bank and in

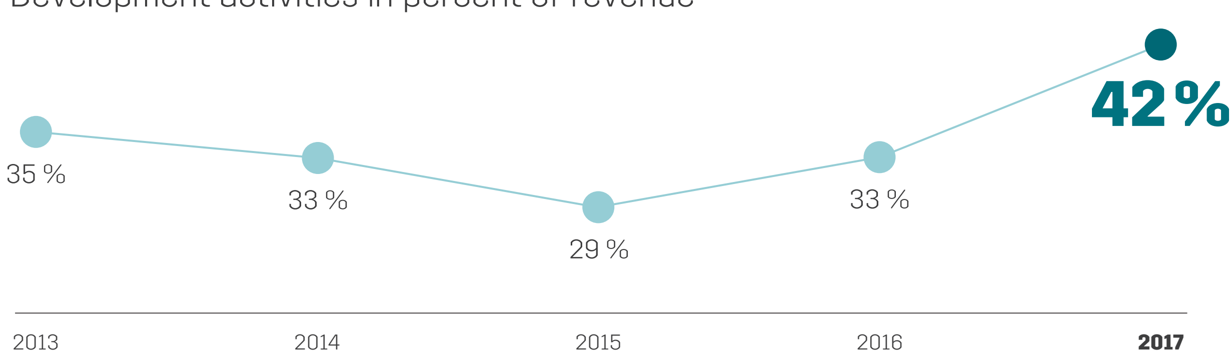
Increased development activity

	2013	2014	2015	2016	**2017**
Development costs, DKK million	442	474	468	560	**602**
Revenue DKK million	1,267	1,426	1,637	1,704	**1,442**

Despite a decrease in revenue in 2017, SDC has managed to increase its system development by almost 8 %.

This is largely the result of an overall cost reduction program, which has reduced costs related to SDC's infrastructure and operation (CPU consumption, licences, servers, data lines etc.) in the period up to and throughout 2017. Furthermore, the scope and composition of SDC's resources have been adjusted to the lower revenue.

Development activities in percent of revenue



hand for the financial year can mainly be attributed to an increase in the investment activity, which amounts to a total of DKK 341 million compared to DKK 201 million in 2016. This increase can primarily be attributed to the significant development activities during the period.

Cash flows from operations amount to DKK 243 million in 2017 compared to DKK 258 million in 2016. Cash flows from the Company's financing activities are still limited and can mainly be attributed to the Group's repayment of debt to mortgage credit institutions.

ACCOUNTING ESTIMATES

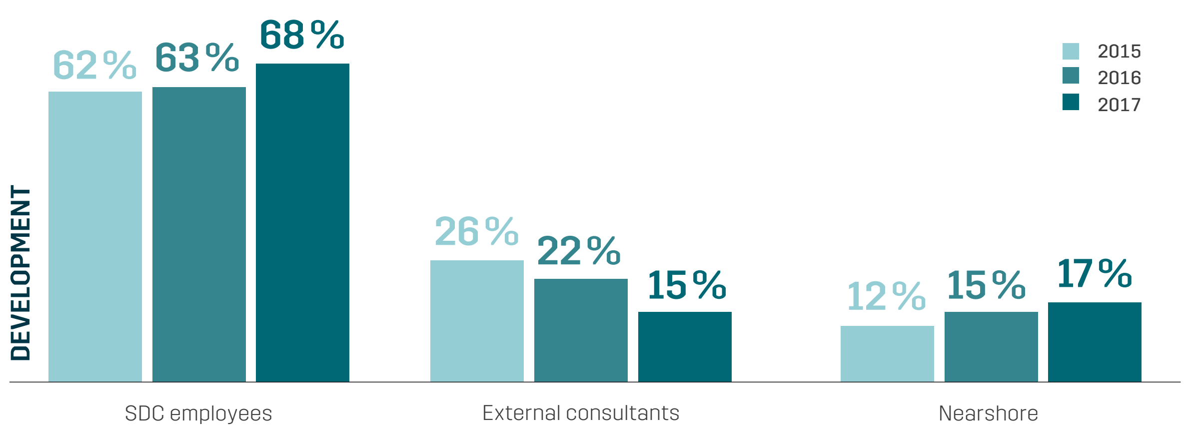
The financial statements are prepared on the basis of assumptions, which involve accounting estimates in certain areas. The accounting estimates applied are made by management in accordance with the Company's accounting policies and on the basis of information and assumptions which management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include significant estimates for the accounts are the following:

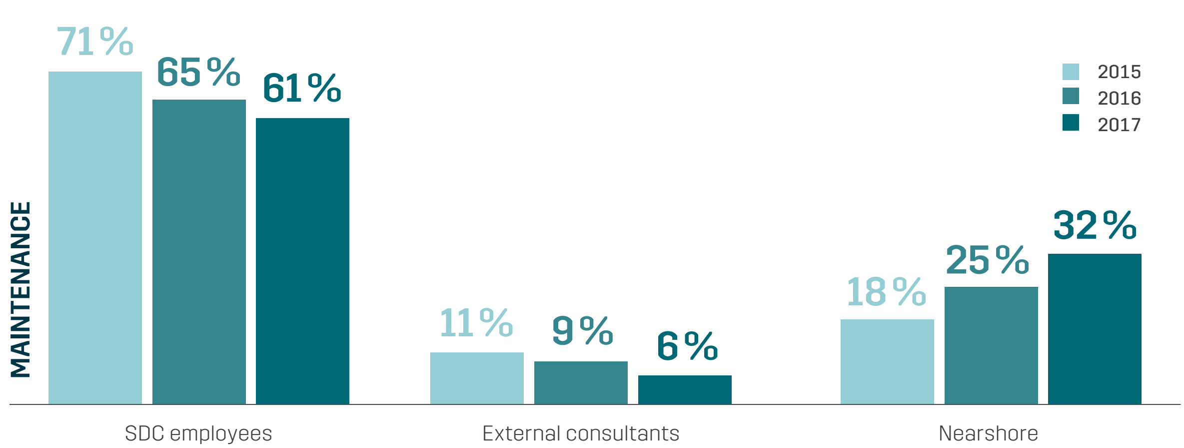
- Calculation of the withdrawal amounts.
- Recognition of development projects where the value depends on the future earnings within the area.
- Recognition of land and buildings at fair value using a return-based model.
- Recognition of provisions for completion of projects.

Resource composition

SDC is constantly striving to optimise methods, tools and infrastructure to ensure an even more efficient use of its resources in SDC's nearshore concept in Poland. This has made it possible to increase the part of the system maintenance that is carried out by nearshore resources to 32 % in 2017 compared to 25 % in 2016.

The nearshore resources carry out both development and maintenance tasks, with the main emphasis being on maintenance, as geographical and cultural proximity to the customers is an advantage in connection with system development.





PROFIT LEVEL REMAINS UNCHANGED IN 2018

OTHER CONDITIONS

SPECIAL RISKS

The most important risks at SDC concern the reliability of the systems operated for SDC's customers and data communication between SDC and the customers. These risks are covered primarily by multi-annual agreements with established professional operators, mainly JN Data for IT operation, TDC for lines and communication, and KMD for print and other services.

The Group has no significant price or exchange rate risks since all important transactions are carried out in DKK or EUR.

EXPECTATIONS OF THE FUTURE

In 2018, SDC expects a level of revenue between of DKK 1.3 - 1.4 billion. SDC is currently working on a number of business opportunities which are expected to increase turnover in the coming years. These projects are implemented on existing markets as well as on new markets.

With respect to profit, the SDC Group expects a profit after tax in 2018 at the same level as the profit for this year, corresponding to +/- DKK 5 million after tax.

EVENTS AFTER THE EXPIRY OF THE FINANCIAL YEAR

No events have occurred from the balance sheet date and up to this date which affect the accounting valuations made in the Annual Report.

EQUITY VALUE PER SHARE INCREASED TO 384

CONSOLIDATED FINANCIAL STATEMENTS SDC 2017

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Financial statements

Notes

ACCOUNTING POLICIES

The Annual Report for SDC A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

The accounting policies applied remain unchanged compared to last year.

The consolidated financial statements and financial statements for 2017 are presented in DKK thousand.

ACCOUNTING ESTIMATES

The annual report is prepared on the basis of assumptions which involve accounting estimates in certain areas. The estimates applied are made by management in accordance with the accounting policies and on the basis of information and assumptions which management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include significant estimates for the accounts are the following:

- Calculation of the withdrawal amounts:
- Recognition of development projects where the value depends on the future earnings within the area.
- Recognition of land and buildings at fair value using a return-based model.
- Recognition of provisions for completion of projects.

RECOGNITION AND VALUATION

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities, which are measured at fair value or amortised cost. Furthermore, costs incurred to generate the year's earnings are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognised 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 reliably measured.

Liabilities are recognised in the balance sheet when a future outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

CONSOLIDATION

The consolidated financial statements include the parent company SDC A/S and companies in which the parent company directly or indirectly holds the majority of votes or in which the parent company has a controlling influence through shareholding or otherwise.

On consolidation, items of a similar type are combined. Intra-group income and expenses, shareholdings, dividends and intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.

The parent company's equity investments in the consolidated subsidiaries are set off against the parent company's share of the subsidiaries' equity value stated at the time of consolidation.

TRANSLATION OF FOREIGN CURRENCY

The presentation currency is Danish kroner. All other currencies are considered foreign currencies.

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If currency positions are regarded as hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are measured at the exchange rate 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 is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included as "Other debtors" and "Other liabilities", respectively.

Changes in the fair value of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is classified as and qualifies for hedge accounting, cf. below.

HEDGE ACCOUNTING

Changes in the fair value of financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability which can be attributed to the risk hedged.

Changes in the fair value of financial instruments designated as and qualifying as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts previously deferred in equity are transferred from equity and recognised in the cost of the asset or liability, respectively. If the hedged transaction results in income or expenses, amounts deferred in equity are transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is included in the same item as the hedged transaction.

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

SEGMENT INFORMATION ON REVENUE

Information is provided on revenue according to geographic segments. The company does not provide business segment information as the company's business segments do not differ from each other.

INCOME STATEMENT

REVENUE

Revenue is recognised in the income statement when benefits and risks have passed to the buyer, revenue can be valued with reliability and it is likely that the economic benefits from the sale will flow to the company.

Revenue is measured at the fee received and is recognised exclusive of VAT and with deduction of discounts in connection with the sale.

Rent income is recognised in revenue in the consolidated financial statements.

DIRECT PRODUCTION EXPENSES

Direct production expenses include expenses incurred in connection with the generation of the company's revenue. In addition, expenses for Facility Management, external consultants, software costs, etc., are also recognised in direct production expenses.

OTHER EXTERNAL EXPENSES

Other external expenses include expenses incurred for management, administration and expenses for premises, sales, consultancy assistance as well as office expenses, etc.

STAFF EXPENSES

Staff expenses include wages and salaries as well as related costs, including payroll tax.

DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses for the year on intangible and tangible fixed assets.

OTHER OPERATING INCOME/EXPENSES

Other operating income and other operating expenses include items of a nature secondary to the primary activities of the Company, such as management fee.

PROFIT/LOSS FROM EQUITY INVESTMENTS IN SUBSIDIARIES

The proportionate share of the profit/loss for the year is included in the income statement under the item "Income from equity investments in subsidiaries".

FINANCIAL INCOME AND EXPENSES, NET

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

TAX ON PROFIT OR LOSS FOR THE YEAR

Tax for the year, which includes the year's current and deferred tax, is recognised in the income statement with the portion that relates to the net profit/loss for the year and directly in equity with the portion that relates to entries directly in equity.

Changes in deferred tax due to changes in the tax rates are recognised in the income statement.

The company is jointly taxed with Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is distributed on profit-making and loss-making companies in proportion to their taxable income (full distribution with refund regarding tax losses).

BALANCE SHEET

INTANGIBLE FIXED ASSETS

Development projects and other intellectual property rights

Expenses for development projects include salaries, depreciation and amortisation and other expenses which may be directly or indirectly ascribed to development activities.

Clearly defined and identifiable development projects for which technical feasibility, adequate resources and a potential future market or development opportunities can be identified and for which the intention is to market or use the project are recognised as intangible fixed assets if there is adequate security that the value in use of the future earnings may cover the costs of production, sale and administration as well as the actual development costs.

Development projects which do not fulfil the criteria for recognition in the balance sheet are recognised as expenses in the income statement as they are incurred.

Capitalised development costs are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount. An amount corresponding to the recognised development costs is reserved in the item "Reserve for development costs" under equity. The reserve comprises only development costs recognised in the financial year starting on 1 January 2016 or later. The reserve is reduced continuously by depreciation, amortisation and impairment losses on the development projects.

Capitalised development costs are amortised from the time of completion on a straight-line basis over the period during which the development work is expected to generate economic benefits. The period of amortisation is usually 5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining time to expiry of the relevant rights, but maximum 20 years.

Intellectual property rights are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount.

Software licences are depreciated on a straight-line basis over the agreement period, but maximum 10 years.

TANGIBLE FIXED ASSETS

Land and buildings and installations in buildings are measured upon acquisition at cost comprising acquisition cost and expenses directly related to the acquisition until the time when the asset is ready for use. Subsequently, land and buildings and installations in buildings are measured at fair value. Net revaluation in connection with fair value adjustment is recognised directly in equity and tied to a special reserve for net revaluation.

The fair value expresses the price at which the property may be traded between well-informed and willing parties on independent terms at the balance sheet date.

The fair value of significant land and buildings at 31 December is stated according to a return-based model where the expected future cash flows for the coming year together with a required rate of return form the basis of the fair value of the property. The calculations are based on the property budget for the coming year. Rent development, vacancies, operating expenses, maintenance and administration, etc., have been taken into account in the budget.

Other tangible fixed assets are measured at cost less accumulated depreciation, amortisation and impairment losses.

Cost comprises the acquisition cost and costs directly related to the acquisition until the time where the asset is ready for use.

The basis of depreciation, which is stated as cost with addition of revaluations and deduction of any residual value, is distributed on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	50 years
Installations in buildings	10-15 years
Production plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	2-5 years

Depreciation period and residual value are reassessed annually.

IMPAIRMENT OF FIXED ASSETS

The carrying amount of intangible fixed assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

In such a case, impairment is made at the lower recoverable amount.

EQUITY INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries are recognised and measured in accordance with the equity method.

Under the balance sheet item "Equity investments in subsidiaries", the proportionate ownership share of the companies' equity value is recognised and stated on the basis of the fair value of the identifiable net assets at the time of acquisition with deduction or addition of unrealised intra-group profits and losses and with addition of residual value of any excess values and goodwill stated at the time of the acquisition of the companies.

The total net revaluation of equity investments in subsidiaries is transferred through the distribution of profit to "Reserve for net revaluation according to the equity method" under equity. The reserve is reduced by dividend distributions to the parent company and is adjusted by other equity movements in the subsidiaries.

INVENTORIES

Stocks are recognized at the lower of cost according to the FIFO method or net realisation value.

The net realisation value for inventories is stated at the amount expected to be received from sales in normal operation with deduction of sales costs. The net realisation value is stated with due consideration for negotiability, obsolescence and development in expected sales price.

RECEIVABLES

Receivables are measured in the balance sheet at amortised cost, which in this context corresponds to nominal value. A provision is made for bad debts based on an individual assessment.

DEFERRED INCOME AND ACCRUED EXPENSES

Prepayments recognised as assets comprise prepaid expenses regarding subsequent financial years.

EQUITY

Dividend

Dividend proposed by management to be distributed for the year is shown as a separate item under equity.

Own equity investments

Purchase and sales amounts for own shares are recognised directly in equity under retained earnings. Dividend from own shares is recognised directly in equity under retained earnings.

PROVISIONS

Provisions are recognised when, as a result of an event on or before the balance sheet date, the company has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, based on the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets are measured at the expected value of their realisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

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

CURRENT TAX RECEIVABLE AND PAYABLE

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Surcharges and refunds under the on-account tax scheme are recognised in the income statement as financial income and expenses.

FINANCIAL LIABILITIES

Loans, such as mortgage loans and loans from credit institutions, are recognised at the time of borrowing at the proceeds received, net of transaction costs incurred. In subsequent periods, the loans are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt of the loan. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing adjusted by amortisation of the price adjustment for the loan at the time of borrowing over the period of repayment.

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

DEFERRED INCOME AND ACCRUED EXPENSES

Deferred income and accrued expenses recognised as liabilities comprises payments received concerning income in subsequent financial years.

CASH FLOW STATEMENT

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

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated as the profit/loss for the year, adjusted for change in working capital and non-cash items in the income statement, such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets less current liabilities exclusive of cash and cash equivalents.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments related to additions and disposals of intangible fixed assets, tangible fixed assets and fixed asset investments.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities include cash flows from the raising and repayment of non-current liabilities and securities as well as ingoing and outgoing payments to and from shareholders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of "Cash at bank and in hand".

The cash flow statement cannot be derived exclusively from the published accounting records.

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

Note	DKK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
1	**Revenue**	**1,442,488**	**1,703,623**	**1,429,066**	**1,687,585**
	Other operating income	0	0	5,000	4,150
	Direct production expenses	-768,270	-845,302	-788,782	-859,483
	Other external expenses	-45,000	65,734	-49,137	70,179
	Gross profit/loss	**629,218**	**792,587**	**596,147**	**762,073**
2	Staff expenses	-391,279	-506,035	-377,305	-493,867
3	Depreciation, amortisation and other amounts written off tangible and intangible fixed assets	-222,778	-221,410	-203,068	-202,671
	Profit/loss before financial income and expenses, net	**15,161**	**65,142**	**15,774**	**65,535**
	Income equity investments in subsidiaries	0	0	2,813	708
4	Financial income	1,231	2,305	1,170	2,298
5	Financial expenses	-9,136	-8,054	-11,559	-9,351
	Profit/loss before tax	**7,256**	**59,393**	**8,198**	**59,190**
6	Tax on profit or loss for the year	-2,903	-12,733	-3,845	-12,530
	Profit/loss for the year	**4,353**	**46,660**	**4,353**	**46,660**

DISTRIBUTION OF NET PROFIT

	Parent company 2017	Parent company 2016
Proposal for the distribution of net profit		
Reserve for net revaluation according to the equity method	4,979	29,866
Retained earnings	-626	16,794
	4,353	**46,660**

BALANCE SHEET 31 DECEMBER – ASSETS

		Group		Parent company	
Note	DKK thousand	2017	2016	2017	2016
	Completed development projects	393,850	515,382	393,850	515,382
	Intellectual property rights	34,575	31,042	34,575	31,042
	Development projects in progress	385,750	128,286	385,750	128,286
7	**Intangible fixed assets**	**814,175**	**674,710**	**814,175**	**674,710**
	Land and buildings	408,741	410,621	1,874	4,250
	Production plant and machinery	545	2,056	545	2,056
	Other fixtures and fittings, tools and equipment	2,955	5,186	2,413	4,405
8	**Tangible fixed assets**	**412,241**	**417,863**	**4,832**	**10,711**
9	Equity investments in subsidiaries	0	0	479,023	464,881
10	Other debtors	90,047	90,051	95,031	94,914
	Fixed asset investments	**90,047**	**90,051**	**574,054**	**559,795**
	Fixed assets	**1,316,463**	**1,182,624**	**1,393,061**	**1,245,216**
	Inventories	**381**	**611**	**381**	**611**
	Trade receivables	76,956	99,285	73,765	89,569
	Amounts receivable from group undertakings	0	0	1,956	1,399
	Other debtors	3,187	7,094	2,196	7,348
13	Deferred tax asset	42,888	46,619	45,731	47,088
	Corporation tax	0	242	0	0
	Corporation tax receivable from group undertakings	0	0	1,531	0
11	Deferred income and accrued expenses	110,169	99,707	109,884	99,706
	Receivables	**233,200**	**252,947**	**235,063**	**245,110**
	Cash at bank and in hand	**57,236**	**172,590**	**45,333**	**157,254**
	Current assets	**290,817**	**426,148**	**280,777**	**402,975**
	Assets	**1,607,280**	**1,608,772**	**1,673,838**	**1,648,191**

BALANCE SHEET 31 DECEMBER – LIABILITIES

		Group		Parent company	
Note	DKK thousand	2017	2016	2017	2016
	Company capital	173,110	173,110	173,110	173,110
	Revaluation reserve	118,003	140,872	0	0
	Reserve for net revaluation according to the equity method	0	0	267,667	249,844
	Reserve for development costs	0	0	364,234	139,187
	Retained earnings	373,552	328,093	-140,346	79,934
12	**Equity**	**664,665**	**642,075**	**664,665**	**642,075**
14	Other provisions	83,662	45,160	83,662	45,160
	Provisions	**83,662**	**45,160**	**83,662**	**45,160**
	Debt to mortgage credit institutions	201,125	212,553	0	0
	Amounts owed to group undertakings	0	0	203,208	215,926
	Other debt	7,990	7,949	0	0
15	**Long-term debt**	**209,115**	**220,502**	**203,208**	**215,926**
15	Debt to mortgage credit institutions	11,444	11,423	0	0
	Trade creditors	89,697	133,179	84,934	126,886
15	Amounts owed to group undertakings	0	0	101,008	76,514
	Corporation tax	385	896	385	420
15	Other debt	98,463	98,673	92,901	90,791
16	Deferred income and accrued expenses	449,849	456,864	443,075	450,419
	Short-term debt	**649,838**	**701,035**	**722,303**	**745,030**
	Creditors	**858,953**	**921,537**	**925,511**	**960,956**
	Liabilities	**1,607,280**	**1,608,772**	**1,673,838**	**1,648,191**

19 Contingencies and other financial liabilities
20 Related parties
21 Fee for auditor elected by the general meeting
22 Accounting policies

STATEMENT OF CHANGES IN EQUITY

GROUP

DKK thousand	Company capital	Revaluation reserve	Retained earnings	Total
Equity at 1 January	173,110	140,872	328,093	642,075
Revaluation for the year	0	14,928	0	14,928
Tax on the revaluation for the year	0	-3,284	0	-3,284
Dissolution of revaluation for previous year	0	-34,513	34,513	0
Sale of own equity investments	0	0	5,393	5,393
Adjustment of interest hedging instruments at fair value, year-end	0	0	1,539	1,539
Tax on the adjustment of interest hedging instruments for the year	0	0	-339	-339
Profit/loss for the year	0	0	4,353	4,353
Equity at 31 December	**173,110**	**118,003**	**373,552**	**664,665**

PARENT COMPANY

DKK thousand	Company capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	173,110	249,844	139,187	79,934	642,075
Sale of own equity investments	0	0	0	5,393	5,393
Other changes in equity	0	12,844	0	0	12,844
Development costs for the year	0	0	254,125	-254,125	0
Depreciation, amortisation and impairment losses	0	0	-29,078	29,078	0
Profit/loss for the year	0	4,979	0	-626	4,353
Equity at 31 December	**173,110**	**267,667**	**364,234**	**-140,346**	**664,665**

Equity value per share at 31 December 2017 is DKK 384.0 (2016: DKK 374.0).
The Company capital consists of 1,731,098 shares of nominally DKK 100. No shares carry special rights.
There have been no changes in the Company capital in the last 5 years.

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

Note	DKK thousand	Group 2017	2016
	Profit/loss for the year	4,353	46,660
17	Adjustments	233,586	239,891
18	Change in working capital	5,375	-28,608
	Cash flows from operation before financial income and expenses, net	**243,314**	**257,943**
	Ingoing interest payments and the like	1,234	2,270
	Outgoing interest payments and the like	-9,133	-8,017
	Cash flows from ordinary operation	**235,415**	**252,196**
	Corporation tax paid	-3,062	-227
	Cash flows from operating activities	**232,353**	**251,969**
	Purchase of intangible fixed assets	-339,372	-190,295
	Purchase of tangible fixed assets	-2,063	-10,676
	Purchase of fixed asset investments etc.	4	435
	Cash flows from investing activities	**-341,431**	**-200,536**
	Repayment of debt to mortgage credit institutions	-11,407	-187,627
	Change of drawing on credit facilities	0	-34,832
	Raising of debt to mortgage credit institutions	0	223,976
	Purchase of own equity investments	0	-194,552
	Sale of own equity investments	5,393	203,384
	Other adjustments	-262	-12
	Cash flows from financing activities	**-6,276**	**10,337**
	Change in cash and cash equivalents	**-115,354**	**61,770**
	Cash and cash equivalents at 1 January	172,590	110,820
	Cash and cash equivalents at 31 December	**57,236**	**172,590**
	Cash and cash equivalents may be specified as follows:		
	Cash at bank and in hand	57,236	172,590
	Cash and cash equivalents at 31 December	**57,236**	**172,590**

NOTES TO THE FINANCIAL STATEMENTS

1: Revenue

	Group		Parent company	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Activities				
Deliveries, Denmark	793,942	1,091,178	782,026	1,075,140
Deliveries, Norway	437,068	384,307	437,068	384,307
Deliveries, Sweden	154,938	165,094	153,470	165,094
Deliveries, Faroe Islands	56,540	63,044	56,502	63,044
	1,442,488	**1,703,623**	**1,429,066**	**1,687,585**

2: Staff expenses

Salaries	436,779	464,333	424,025	452,184
Pensions	44,926	46,041	43,938	46,041
Other staff expenses	69,923	72,380	69,691	72,361
	551,628	**582,754**	**537,654**	**570,586**
Transferred to development projects	-160,349	-76,719	-160,349	-76,719
	391,279	**506,035**	**377,305**	**493,867**
Remuneration for executive board and board of directors	**5,880**	**5,397**	**5,880**	**5,397**
Average number of employees	**602**	**638**	**585**	**602**

In accordance with section 98b of the Danish Financial Statements Act, remuneration for the executive board and board of directors is shown together.

3: Depreciation, amortisation and other amounts written off tangible and intangible fixed assets

Depreciation of intangible fixed assets	189,314	189,893	189,314	189,893
Depreciation of tangible fixed assets	23,002	21,446	3,292	2,707
Impairment of intangible fixed assets	10,851	10,071	10,851	10,071
Profit and loss on sale	-389	0	-389	0
	222,778	**221,410**	**203,068**	**202,671**

4: Financial income

Other financial income	113	26	53	19
Exchange rate adjustments	1,118	2,279	1,117	2,279
	1,231	**2,305**	**1,170**	**2,298**

5: Financial expenses

Interest expenses - group undertakings	0	0	7,743	6,656
Other financial expenses	9,136	8,054	3,816	2,695
	9,136	**8,054**	**11,559**	**9,351**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6: Tax on profit or loss for the year

	Group		Parent company	
DKK thousand	2017	2016	2017	2016
Current tax for the year	1,257	686	65	763
Deferred tax for the year	446	12,041	1,356	11,761
Adjustment of tax regarding previous years	1,130	6	2,354	6
Adjustment of deferred tax, previous years	70	0	70	0
	2,903	**12,733**	**3,845**	**12,530**

7: Intangible fixed assets

GROUP AND PARENT COMPANY

DKK thousand	Completed development projects	Intellectual property rights	Development projects in progress	Total
Cost at 1 January	949,531	87,546	128,286	1,165,363
Additions in the year	0	13,570	325,802	339,372
Disposals in the year	-122,277	0	0	-122,277
Transfers in the year	58,513	0	-58,513	0
Cost at 31 December	**885,767**	**101,116**	**395,575**	**1,382,458**
Depreciation, amortisation and impairment losses at 1 January	434,149	56,504	0	490,653
Impairment for the year	1,026	0	9,825	10,851
Depreciation and amortisation for the year	179,019	10,037	0	189,056
Reversed depreciation of disposals for the year	-122,277	0	0	-122,277
Depreciation, amortisation and impairment losses at 31 December	**491,917**	**66,541**	**9,825**	**568,283**
Carrying amount at 31 December	393,850	34,575	385,750	814,175
Depreciated over	5 years	3-10 years		

Development costs are capitalised in the balance sheet when they have been incurred for new development of products or improvement of existing products which actually increase the value in use.

The Company's capitalised development projects are reviewed regularly for indications of impairment. In such case, write-down is made at the lower recoverable amount. It naturally follows that the ongoing measurement of the recoverable amount of development projects is an estimate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8: Tangible fixed assets

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
GROUP				
Cost at 1 January	498,299	29,188	11,247	538,734
Additions in the year	5,001	11	37	5,049
Disposals in the year	-2,376	0	0	-2,376
Cost at 31 December	**500,924**	**29,199**	**11,284**	**541,407**
Revaluation 1 January	187,767	0	0	187,767
Revaluation for the year	14,929	0	0	14,929
Revaluation at 31 December	**202,696**	**0**	**0**	**202,696**
Depreciation, amortisation and impairment losses at 1 January	275,445	27,132	6,061	308,638
Impairment for the year	0	0	222	222
Depreciation and amortisation for the year	19,434	1,522	2,046	23,002
Depreciation, amortisation and impairment losses at 31 December	**294,879**	**28,654**	**8,329**	**331,862**
Carrying amount at 31 December	408,741	545	2,955	412,241
Depreciated over	10-50 years	3-5 years	2-5 years	

Land and buildings mainly comprise the property Borupvang 1A, DK-2750 Ballerup.
The property is valued at the fair value based on a rate of return of 6.0% (2016: 6.0 %).

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
PARENT COMPANY				
Cost at 1 January	4,250	29,188	8,419	41,857
Additions in the year	0	11	0	11
Disposals in the year	-2,376	0	0	-2,376
Cost at 31 December	**1,874**	**29,199**	**8,419**	**39,492**
Depreciation, amortisation and impairment losses at 1 January	0	27,132	4,014	31,146
Impairment for the year	0	0	222	222
Depreciation and amortisation for the year	0	1,522	1,770	3,292
Depreciation, amortisation and impairment losses at 31 December	**0**	**28,654**	**6,006**	**34,660**
Carrying amount at 31 December	1,874	545	2,413	4,832
Depreciated over		3-5 years	2-5 years	

NOTES TO THE FINANCIAL STATEMENTS (continued)

9: Equity investments in subsidiaries

	Parent company	
DKK thousand	2017	2016
Cost at 1 January	215,037	215,037
Disposals in the year	-3,681	0
Cost at 31 December	**211,356**	**215,037**
Value adjustments at 1 January	249,844	247,014
Disposals in the year	3,331	0
Profit/loss for the year	2,812	708
Dividend for parent company	-1,164	0
Revaluation for the year, net	11,644	6,928
Adjustment of interest hedging instruments at fair value for the year	1,200	-4,806
Value adjustments at 31 December	**267,667**	**249,844**
Carrying amount at 31 December	**479,023**	**464,881**

Equity investments in subsidiaries may be specified as follows:

Name	Registered office	Voting rights and ownership interest
SDC Ejendomme A/S	Ballerup	100 %
SDC Integrations A/S	Ballerup	100 %

The Company's previous subsidiary Undul in Helsingborg AB was liquidated in the financial year.

10: Other fixed asset investments

	Group	Parent company
DKK thousand	Other debtors	Other debtors
Cost at 1 January	90,051	94,914
Additions in the year	0	121
Disposals in the year	-4	-4
Cost at 31 December	**90,047**	**95,031**
Impairments at 31 December	**0**	**0**
Carrying amount at 31 December	**90,047**	**95,031**

Other debtors include contribution of subordinate loan capital in JN Data A/S of DKK 90,000 thousand.

11: Deferred income and accrued expenses

Accrued income and deferred expenses consist primarily of prepaid costs regarding software contracts, etc., and salaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Equity

The Company capital consists of 1,731,098 shares of nominally DKK 100. No shares carry special rights.

There have been no changes in the Company capital in the last 5 years.

13: Deferred tax asset

	Group		Parent company	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Deferred tax asset at 1 January	46,619	59,281	47,088	58,804
Amount recognised in the income statement for the year	-446	-12,041	-1,357	-11,761
Amount recognised in the balance sheet for the year	-3,285	-621	0	45
Deferred tax asset at 31 December	**42,888**	**46,619**	**45,731**	**47,088**

The recognised tax asset consists primarily of deferred tax regarding tax loss carryforwards.
The Group has non-recognised tax asset of DKK 37,633 thousand (2016: DKK 37,633 thousand). The Group has prepared a plan for utilisation of the recognised tax asset. The recognised tax asset is expected to be utilised within the next ten years.

14: Other provisions

Other provisions at 31 December 2017 comprises obligations regarding completion of projects.

Other provisions	83,662	45,160	83,662	45,160
	83,662	**45,160**	**83,662**	**45,160**

15: Long-term debt

Repayments falling due within one year are stated under short-term debt.
Other liabilities are recognised under long-term debt. Creditors fall due for payment in the following order:

	Group		Parent company	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Debt to mortgage credit institutions				
After 5 years	155,174	166,809	0	0
Between 1 and 5 years	45,951	45,744	0	0
Long-term part	201,125	212,553	0	0
Within 1 year	11,444	11,423	0	0
	212,569	**223,976**	**0**	**0**
Amounts owed to group undertakings				
After 5 years	0	0	156,785	168,538
Between 1 and 5 years	0	0	46,423	47,388
Long-term part	0	0	203,208	215,926
Other short-term debt group undertakings	0	0	101,008	76,514
	0	**0**	**304,216**	**292,440**

NOTES TO THE FINANCIAL STATEMENTS (continued)

15: Long-term debt (continued)

	Group		Parent company	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Other debt				
After 5 years	4,230	4,602	0	0
Between 1 and 5 years	3,760	3,347	0	0
Long-term part	7,990	7,949	0	0
Other short-term debt	98,463	98,673	92,901	90,791
	106,453	**106,622**	**92,901**	**90,791**

16: Deferred income and accrued expenses

Deferred income and accrued expenses comprise prepayments received concerning income in subsequent financial years.

17: Cash flow statement – adjustments

	Group	
DKK thousand	**2017**	**2016**
Financial income	-1,231	-2,305
Financial expenses	9,136	8,054
Depreciation, amortisation and impairment losses including profit and loss on sale	222,778	221,409
Tax on profit or loss for the year	2,903	12,733
	233,586	**239,891**

18: Cash flow statement – change in working capital

	Group	
DKK thousand	**2017**	**2016**
Change in inventories	230	3,217
Change in receivables	15,770	29,906
Change in other provisions	38,502	25,072
Change in suppliers, etc.	-50,666	-80,660
Adjustment of interest hedging instruments at fair value	1,539	-6,143
	5,375	**-28,608**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19: Contingencies and other financial liabilities

	Group		Parent company	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Charges and security				
The following assets have been provided as security to mortgage credit institutions:				
Land and buildings with a book value of	407.408	407,152	0	0

Other contingencies
The Group has concluded a limited partnership agreement with JN Data A/S, which is non-terminable until the end of 2019. For reasons of competition, the value of the agreement concluded is not disclosed. In connection with the partnership agreement, SDC has paid subordinate loan capital of DKK 90 million, see note 10.

The Company is the administration company for joint taxation of the Danish companies in the Group. The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. The Group's companies are also jointly and severally liable for Danish tax at source in the form of dividend tax, royalty tax and interest tax. Any subsequent adjustment to corporation tax and tax at source may increase the Group's liability.

The subsidiary SDC Ejendomme A/S has become subject to the VAT adjustment obligation for the properties taken over by the Company. The amount must be paid to the Danish tax authorities (SKAT) if the activity which is subject to VAT is discontinued.

The Group has concluded contracts to secure future transactions regarding the Group's property financing. The secured residual debt amounts to DKK 214,766 thousand at 31 December 2017 (2016: DKK 226,290 thousand) and the security contract expires on 30 June 2027. The fair value of the security contract is a negative value of DKK 6,965 thousand after tax at 31 December 2017 (2016: DKK 8,166 thousand).

20: Related parties

Related parties comprise SDC Ejendomme A/S and SDC Integrations A/S. Furthermore, related parties include the Company's executive board and board of directors.

Transactions
The Company leases a share of the property in SDC Ejendomme A/S.
Transactions with related parties have also included ordinary sale of services and management fee.

21: Fee for auditor elected by the general meeting

	Group		Parent	
DKK thousand	**2017**	**2016**	**2017**	**2016**
Operational services				
Statutory audit	386	378	320	320
Tax consultancy	536	492	486	466
System audit	400	400	400	400
Other reports (system audit)	700	825	700	825
Other services	997	1,020	897	976
	3,019	**3,115**	**2,803**	**2,987**
Project related services*				
MiFID, Investment advisory services& Asset Management	2,739	0	2,739	0
Financial accounting and EDW	3,095	0	3,095	0
IFRS 9	7,691	0	7,691	0
Project advisory services	787	0	787	0
	14,312	0	**14,312**	0

* Due to PwC´s takeover of First Treasury at 1 February 2017, there is a note requirement regarding project-related services provided in 2017 by PwC and First Treasury

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