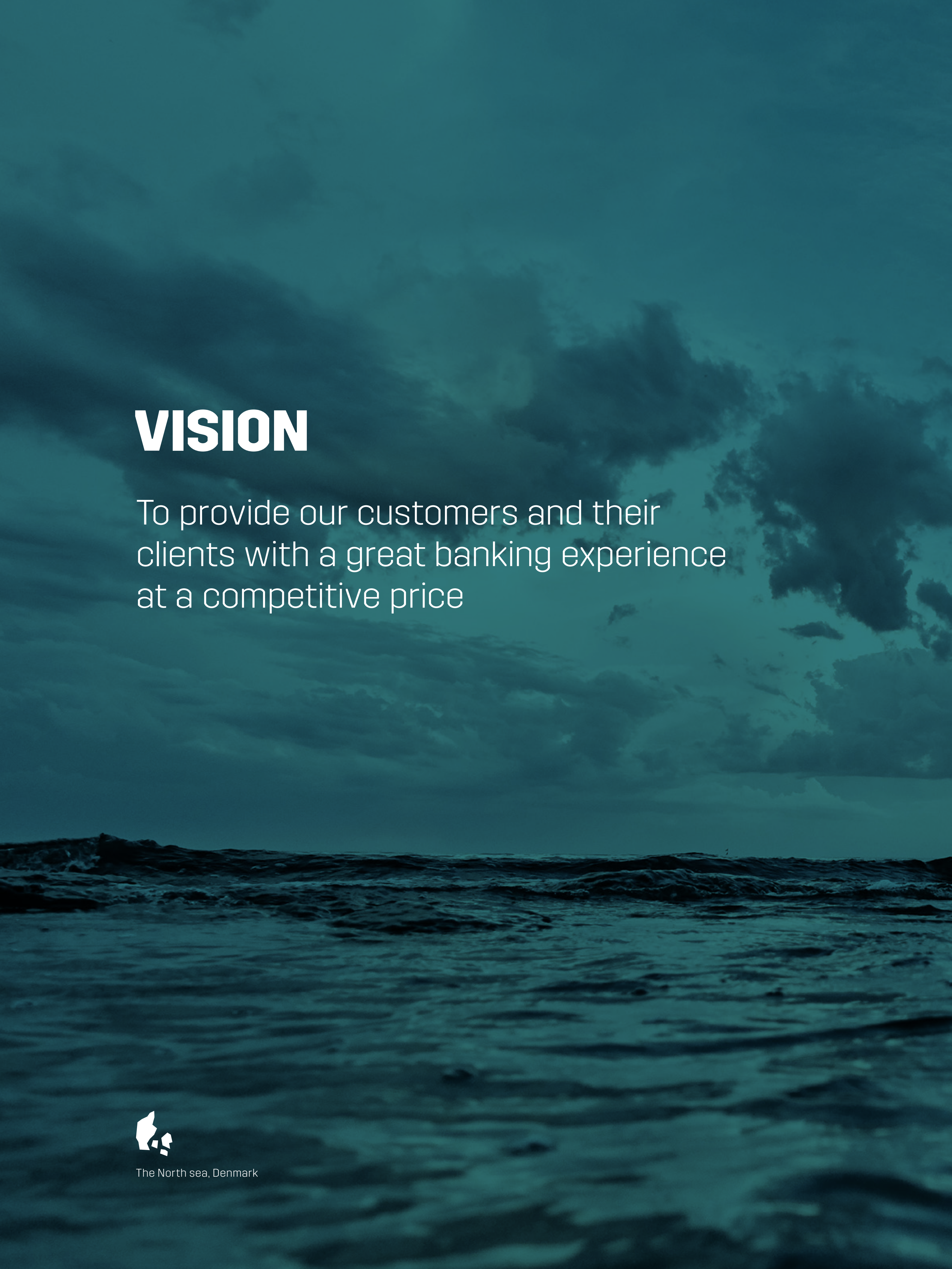
ANNUAL REPORT

2018

SDC A/S • CVR 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



The North sea, Denmark


A great banking experience at a competitive price

FINANCIAL RATIOS 2018

Revenue

1,418 million

DKK

EBITDA

19.8%

(Profit from ordinary operating activities before depreciation and amortisation)

Equity

655 million

DKK

Equity ratio

39.5%

Average number of employees

568

37%

of SDC's system maintenance is carried out by nearshore resources

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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
CVR no.: 16 98 81 38
Registered office: Ballerup, 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 8 May 2019

Skagen, Denmark

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 2018.

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 and the Group's assets, liabilities and financial position at 31 December 2018, and of the results of the Company's and the Group's operations, and the Group's cash flows for 2018.

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, 2 April 2019

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
Kim Rosenberg Hansen (Employee Representative)	Ole Kyhnæb (Employee Representative)	Lars Ravn (Employee Representative)

INDEPENDENT AUDITOR'S REPORT

To the shareholders in SDC A/S

OPINION

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

We have audited the consolidated financial statements and the financial statements of SDC A/S for the financial year 1 January - 31 December 2018, which comprise the Income Statement, Balance Sheet, Changes in Equity, and Notes, including accounting policies, for both the Group and the Company, as well as a cash flow statement for the Group ("the 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

The 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 consolidated financial statements and the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the Management's Review.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Company or 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 Group's and the Company'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 Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company 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, 2 April 2019

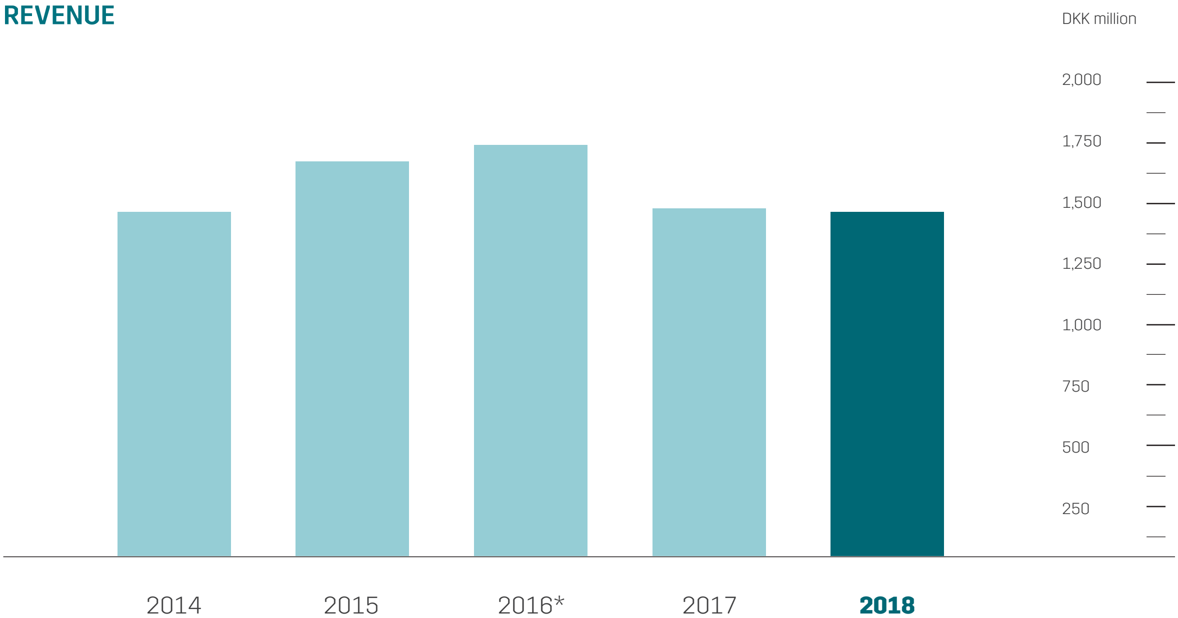
PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CVR no.: 33 77 12 31

Christian Fredensborg Jakobsen
State-authorised public accountant
mne16539

Kaare von Cappeln
State-authorised public accountant
mne11629

FINANCIAL HIGHLIGHTS FOR THE GROUP

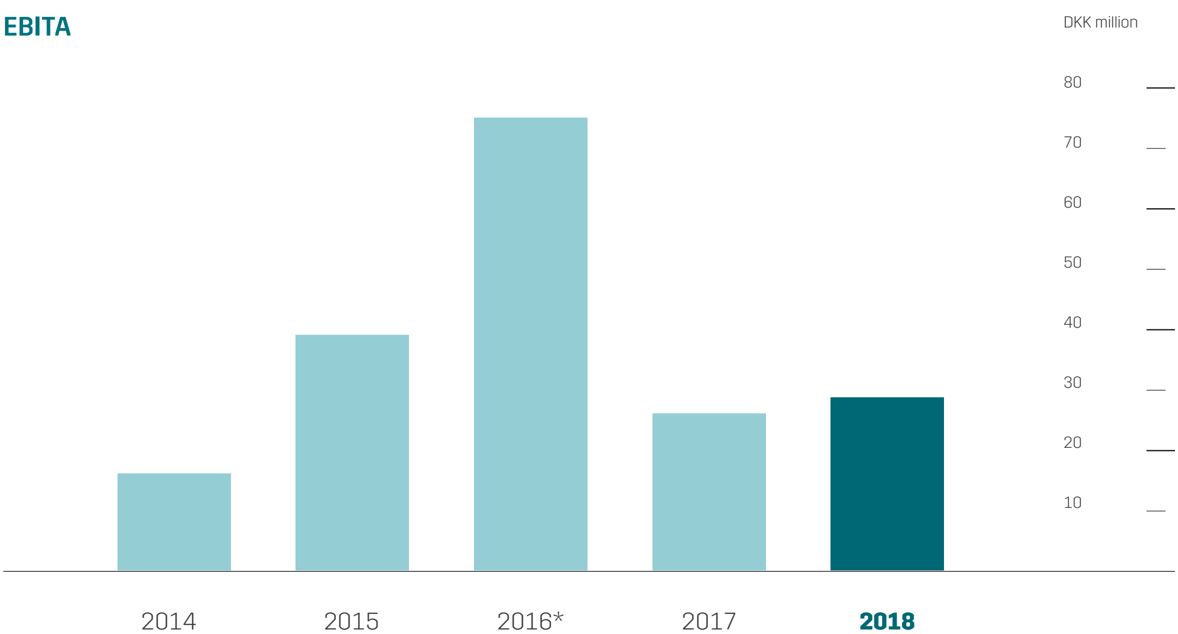
REVENUE



	2014	2015	2016*	2017	**2018**
Growth rate YOY:	13 %	15 %	4 %	-16 %	- 1 %

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

EBITA



Financial highlights

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

	Group				
DKK thousand	2018	2017	2016	2015	2014
Profit/Loss					
Revenue	**1,417,858**	**1,429,136**	**1,703,623**	**1,637,150**	**1,426,477**
Profit from ordinary operating activities before depreciation and amortisation (EBITDA)	**280,908**	**237,939**	**286,552**	**268,162**	**227,974**
Profit/loss from ordinary operating activities before amortisation (EBITA)	**29,394**	**26,012**	**75,213**	**39,120**	**16,255**
Profit/loss from financial income and expenses, net	-2,321	-7,905	-5,749	-17,247	-14,979
Profit/loss for the year	5,581	4,353	46,660	10,701	-171,150
Balance sheet					
Balance sheet total	1,658,838	1,607,280	1,608,772	1,604,663	1,532,422
Capitalised development costs	820,153	779,600	643,668	646,593	646,553
Equity	**655,117**	**664,665**	**642,075**	**584,462**	**539,895**
Cash flows					
Cash flows from:					
- operating activities	295,715	232,353	251,967	367,212	235,212
hereof, investments in tangible fixed assets	-10,209	-2,063	-10,676	-38,583	-21,814
Financial ratios in %					
Profit margin	0.6 %	1.1 %	3.8 %	2.0 %	-10.9 %
Return on capital employed	0.5 %	0.9 %	4.0 %	2.0 %	-10.1 %
Equity ratio	39.5 %	41.4 %	39.9 %	36.4 %	35.2 %
Return on equity	0.8 %	0.7 %	7.6 %	1.9 %	-26.8 %
Equity value per share (DKK)	**387**	**384**	**374**	**371**	**362**
Average number of employees	**568**	**602**	**638**	**607**	**555**

A few items in the income statement have been reclassified. Reference is made to the section on accounting policies. No adjustment of comparative figures has been made for 2016, 2015 and 2014.

The financial ratios have been prepared in accordance with the recommendations and guidelines of the Danish Finance Society. Reference is made to the definitions in the section on accounting policies.

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

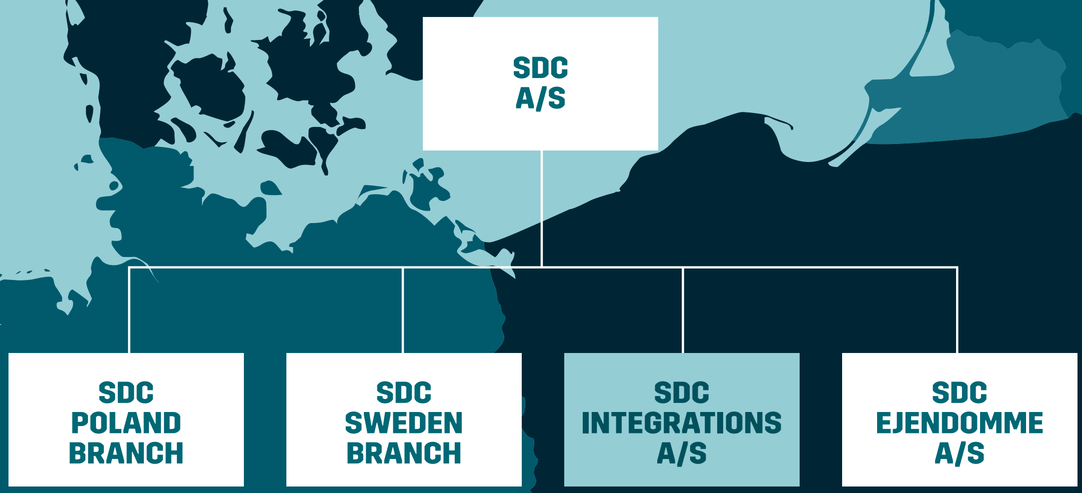
Return on capital employed $= \dfrac{\text{Profit/loss before financial income and expenses, net} \times 100}{\text{Total assets}}$

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.

In 2018, SDC has prepared the merger of SDC Integrations A/S into SDC A/S at 1 January 2019 in a vertical merger.

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, of which SDC became co-owner in 2018.

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

No changes have been made to the group structure in 2018, but SDC has prepared the merger of SDC Integrations A/S into SDC A/S at 1 January 2019 through a vertical merger. This merger takes place to simplify the internal work processes in the Group and to simplify the customers' access to SDC.

The merger means that the majority of the previous employees and relevant tangible and intangible assets in SDC Integrations A/S are transferred to SDC A/S.

After 1 January 2019, the SDC group consists of the parent company SDC A/S, the subsidiary SDC Ejendomme A/S, and two branches in Sweden (SDC Sweden) and Poland (SDC Poland). Throughout 2018, SDC has continued its growth in Poland where the company employs approx. 180 resources at the year-end. SDC Sweden is currently operationally regarded as a location with 15 affiliated employees.

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

SDC INTEGRATIONS A/S
Main activity: IT development
Geography: Denmark (Ballerup)
CVR no.: 13 91 23 35
Merged with SDC A/S at 1 January 2019

A RAPIDLY DEVELOPING BANKING MARKET

The Nordic banking market is undergoing a rapid development these years. There is intensive and still increasing activity on the Fintech scene, where new financial solutions are continuously emerging, and where there is increased differentiation and specialisation on the banking market with new niche banks and other financial providers entering the market as pure online banks with a full product range, or as narrow banks that only offer a few specific products.

In recent years, and especially in 2018, SDC has attracted a number of these new niche banks. The expansion of SDC's customer group involves not only increased economies of scale to the benefit of all SDC customers but the new banks also contribute innovatively to an enhancement of SDC's product offering since they demand new solutions based on pure online contact with the customer. This innovation and the resulting solutions may also be of great benefit to the other SDC customers.

Together with the customers, SDC has a strong focus on utilising and being at the cutting edge of the new opportunities, challenges, and requirements that appear on an ongoing basis, whether they stem from new legislation or the ordinary movements and development in a competitive market. As an important part thereof, SDC has implemented an Open Banking platform in close co-operation with the customers.

The platform does not only ensure that SDC's customers live up to the new PSD2 directives, but it also makes it a lot simpler for our customers to integrate with potential third party solutions and thus benefit from the transparency reflected in PSD2. With the development of a new pan-Nordic infrastructure for payments, SDC has, on the payment side, created a basis on which SDC's customers may react quickly to new initiatives on the market and establish co-operation with payment solution providers. In 2018, SDC has launched a number of digital payment solutions in addition to the pan-Nordic infrastructure, including FitBit pay, Garmin Pay and Google Pay.

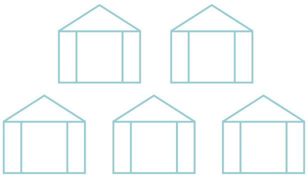
Lysefjord, Norway

Another priority area is SDC's customers' need for continued automation of processes and solutions. Earnings in the sector are under pressure, which calls for streamlining and a reduction of the bank's cost level in connection with production and delivery of products and services to the end customer. Automation of the bank's internal processes may contribute to reducing non-value-creating manual tasks, providing the bank with an opportunity to aim its resources at tasks that create additional revenue and earnings instead.

In 2018, SDC has continued the expansion of the SDC Advisor universe with, among other things, straight through processing of pension insurance and savings, and projects and co-operations have been initiated within robotics.

Concomitantly with the direct business-supportive activities, the streamlining and level change of the technical foundation continue with the clean-up of servers, licences, closing of systems etc.

Did you know...



In 2018, 5 of the largest banks affiliated with SDC experienced a total net inflow of customers of

5%

ABOUT SDC

122
banks that are customers of SDC

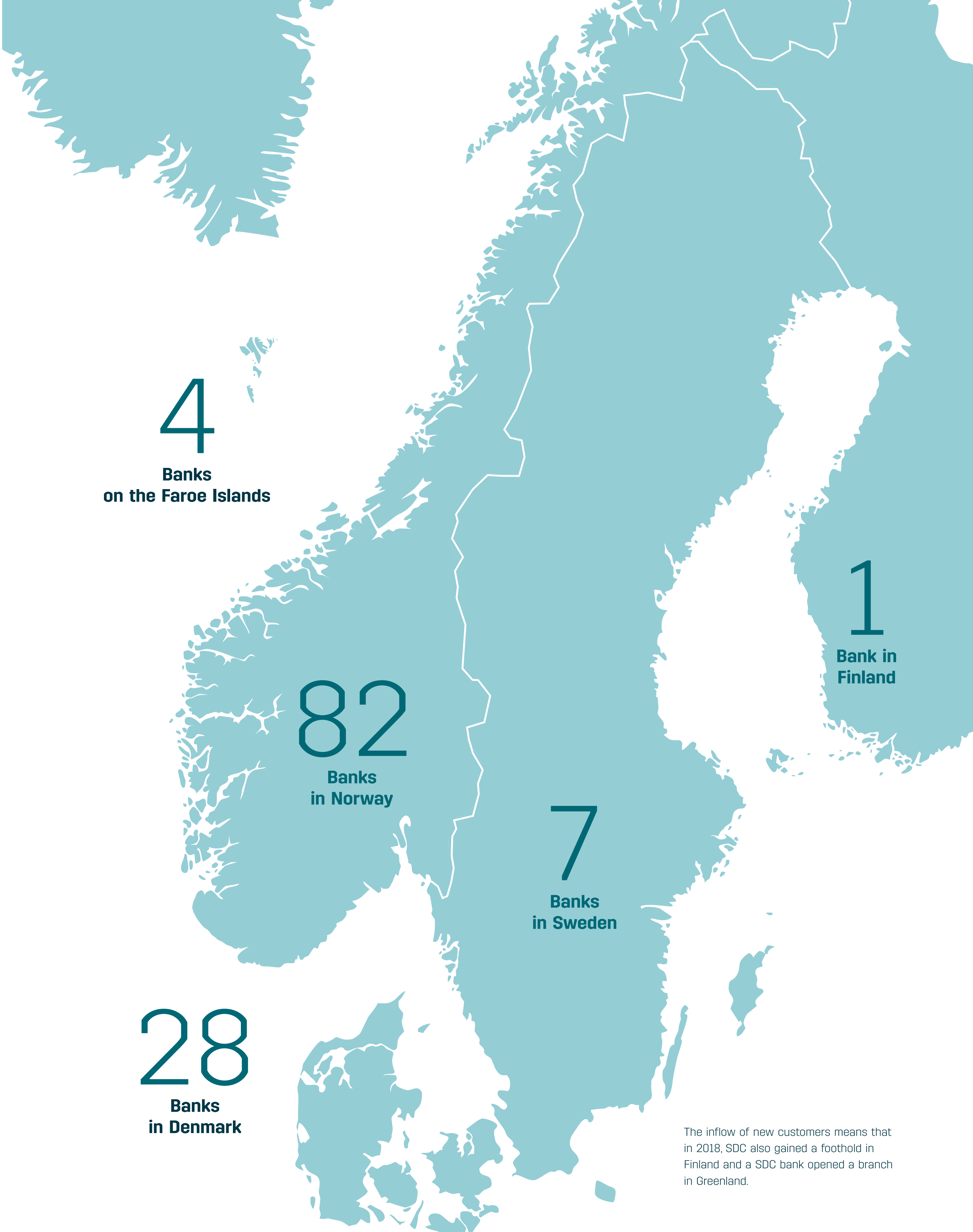
715
bank branches

9,224
workstations at the SDC banks

8,212
employees in the SDC banks

6.5 million
customer accounts with the SDC banks

2.5 million
customers with the SDC banks



The inflow of new customers means that in 2018, SDC also gained a foothold in Finland and a SDC bank opened a branch in Greenland.

CUSTOMERS AND MARKET

SDC continues to consolidate its position on the Nordic market as an attractive IT partner for small and medium-sized banks. In 2018 alone, SDC has concluded an agreement with eight new banks, which have chosen SDC as their strategic IT partner.

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.

In addition, there is a trend in the market for the classical national banks with a broad product range to be supplemented by niche banks with a narrow and specialised product offering aimed at limited customer requirements and segments.

Several of these niche banks work across the Nordic countries, which makes SDC a very attractive partner. As one of the only suppliers on the market, SDC's systems and operating environments support banking business in and across all the Nordic countries.

The inflow of new banks to SDC takes place primarily from Norway and Sweden and contributes not only to expanding SDC's position in these countries but also to consolidating SDC's position as an IT partner with a Nordic perspective and ambition. The inflow of new customers in 2018, and the expansion of existing customers' market areas thus mean that in 2018, SDC also gained a foothold in Finland and a SDC bank opened a branch in Greenland.

In addition to increasing the volume and the related economies of scale for all SDC customers the new niche banks also contribute to challenging SDC in a positive way and add new aspects to the requirements for IT support of products and processes.

Within the last five years, SDC has welcomed 18 new banks throughout the Nordics. During the same period, several of SDC's existing customers have joined forces through mergers. Especially in Norway, the consolidation of the sector which gained momentum in 2017 continues. Mergers typically take place between SDC banks, which means that SDC maintains its revenue from the relevant banks. At the end of 2018, 122 banks in Denmark, Norway, Sweden, the Faroe Islands, Greenland, and Finland were customers of SDC. The majority of these banks are shareholders of SDC.

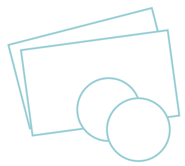
Øresund, Denmark/Sweden

SDC's ambition is to provide positive banking experiences at competitive prices. Through strong focus on joint IT development, economies of scale, standardisation, cost control and price-effective solutions, SDC contributed to increasing the banks' competitiveness.

As an important element in this, the share of pan-Nordic system development is maintained at the same high level as in 2016 and 2017, even with a small increase. 72 % of SDC joint development in 2018 is pan-Nordic development. It contributes to price-effective solutions and lower IT costs for the individual bank.

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 2018, the joint development has comprised more than 30 projects with emphasis on strategic projects that support the banks' long-term development and ensure that the banks maintain compliance with the increasingly comprehensive regulatory requirements.

Did you know...



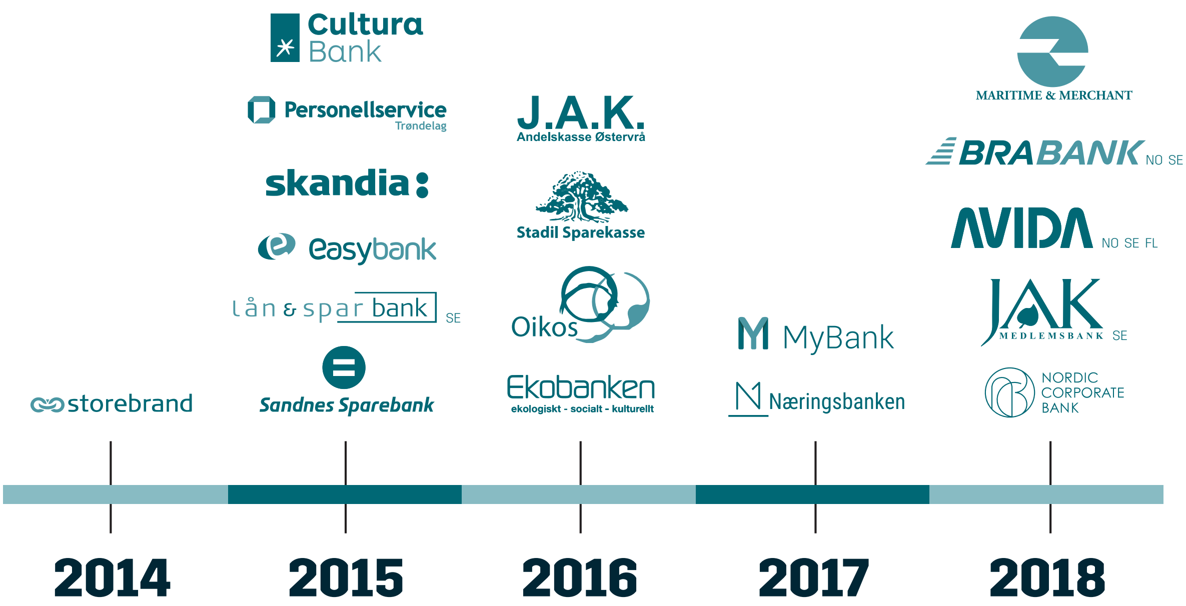
Only approx.

5%

of the money circulating in society is in the form of cash. The rest is virtual money, which is handled by, for example, SDC.

New customers

SDC has welcomed 18 new banks throughout the Nordics since 2014.



In addition to the joint development, a number of commercial projects, where SDC adjusts and expands the common system foundation to the specific business needs for individual customers, have also been implemented in 2018. In a market that comprises all the Nordic countries and their related national variations, and a broad group of banks with different business models and market approaches, it is vital that SDC is able to supplement the transverse joint development with individual development. The individual development takes place on a commercial basis according to price and connection models that support the possibilities for economies of scale and cost distribution.

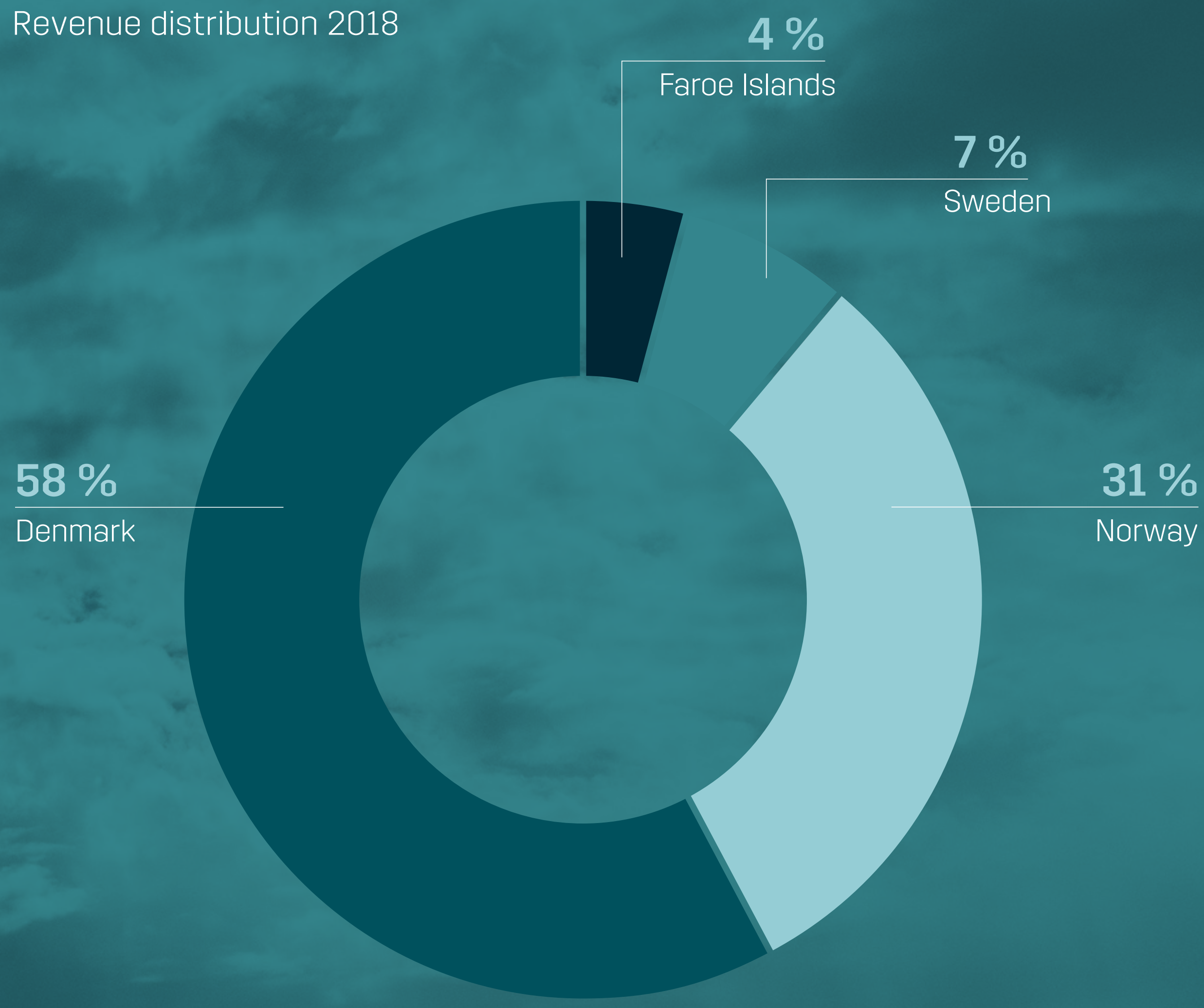
ECONOMIES OF SCALE CREATE POTENTIAL FOR ADDITIONAL GROWTH

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.

Revenue distribution 2018



Revenue distribution 2014 – 2018

(exclusive of extraordinary lump-sum income)

	2014	2015	2016	2017	**2018**
DK	58 %	55 %	59 %	55 %	**58 %**
NO	22 %	26 %	27 %	30 %	**31 %**
SE	16 %	15 %	10 %	11 %	**7 %**
FO	4 %	4 %	4 %	4 %	**4 %**

Did you know...

Four in ten customers at Danish and Nordic SDC banks are

35-60

years old. In Faroese and Swedish SDC banks, it is three in ten.

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 co-operation 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 system 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.

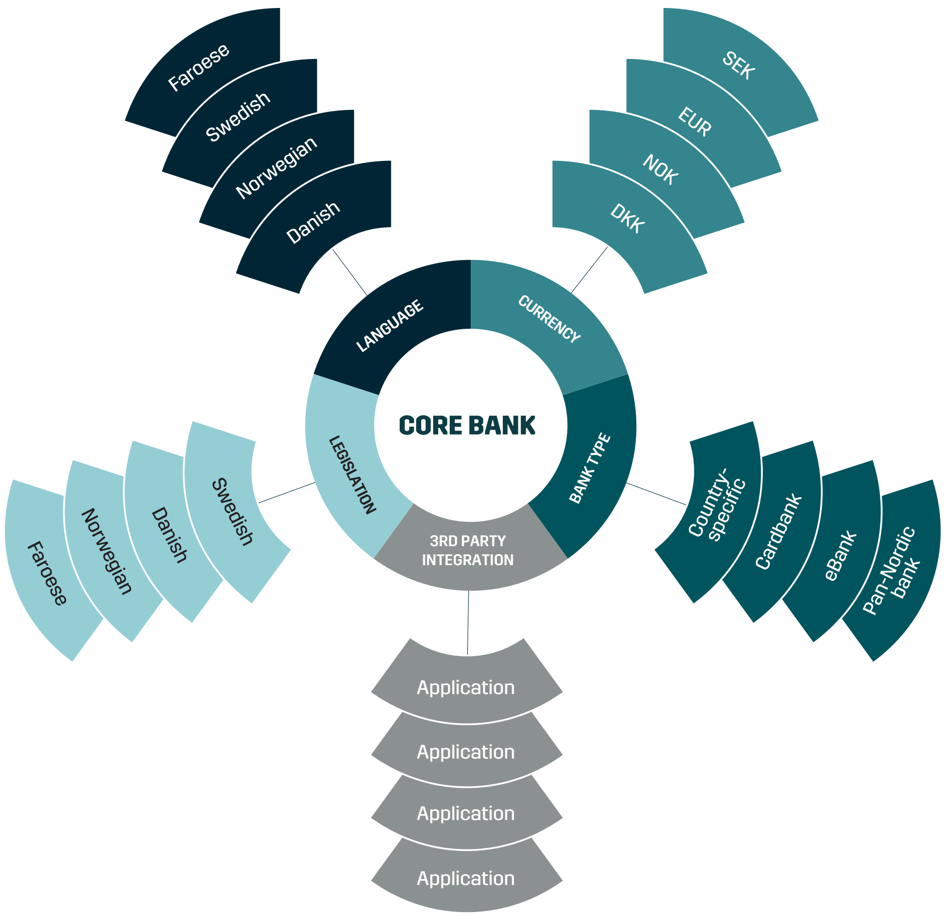
Pan-Nordic system development

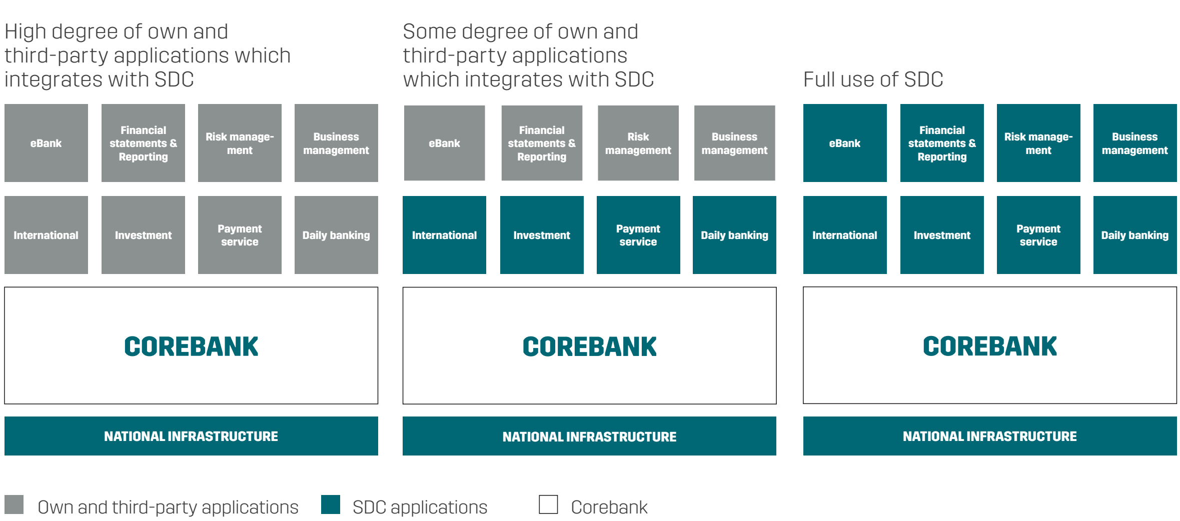
Most of SDC's system development is for use across SDC's Nordic banks. This keeps the costs of the individual bank at the lowest possible level, since the costs of pan-Nordic system development may be shared by all 122 SDC banks. In 2018, pan-Nordic system development accounted for 72 % of SDC's total joint development.

	2014	2015	2016	2017	**2018**
Pan-Nordic development	63 %	69 %	71 %	71 %	**72 %**
Country-specific development	37 %	31 %	29 %	29 %	**28 %**

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.





HIGHLIGHTS FROM 2018

MiFID II/ MiFIR
becomes effective with system support from SDC

Maritime & Merchant Bank
– new Norwegian customer at SDC

With system support from SDC, the banks present the first financial statements under the
IFRS9 rules

New Norwegian and Swedish bank at SDC
BRAbank

SDC becomes co-owner of
JN Data

Mortgage at Totalkredit

is further integrated in SDC Advisor. Piloting of restructuring of loans without proceeds

Customers at SDC banks may now approve payments etc. in the mobile banking service with a mere

fingerprint

or

face recognition

First customer-oriented solution to SDC's new technical ebank platform, the app

"Mine Penge",

goes live at Middelfart Sparekasse

17 SDC banks receive a new and up-to-date capital management system

Portman

to replace older systems in this area

Pension consulting services in SDC Advisor are expanded by

STP

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

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. This takes place, inter alia, through the development, operation and maintenance of IT systems, which make it possible for the banks to carry out banking business with a high degree of security and in accordance with current regulatory requirements in the countries where SDC and SDC's customers operate, which includes authority reporting for the prevention of financial crises, money laundering, and financing of terrorism.
SDC operates in a mature and 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, the Norwegian Financial Supervisory Authority, and the Swedish Financial Supervisory Authority, as well as self-check through internal and external system audit. 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.

The daily display of this ambition is supported by a general CSR 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. 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 Financial Supervisory Authorities in Denmark, Sweden, and Norway. SDC has a well established IT security policy, which ensures

Koltur, Faroe Islands

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 2018, SDC was once more PCI certified.

SDC also participates in Nordic Financial CERT, which is a Nordic sector co-operation that provides protection from and collects knowledge about cyber attacks against financial institutions. The co-operation gives SDC and its customers more detailed insight into the current, operational threat scenario against the Danish and international financial sector. At the same time, SDC obtains access to specialist competences that may assist SDC and its customers in the event of a cyber attack.

In 2018, all SDC employees participated in a mandatory Security Awareness Training Program to further strengthen SDC's IT security culture. A well-established security culture with a high awareness of IT security, together with Security Awareness Training, is considered to be an important initiative to counter i.e. cyber risks and attacks.

ENVIRONMENT AND CLIMATE

SDC sees climate change as a real challenge and wants to contribute to a positive development in accordance with the goals in the UN Global Compact and the UN Global Goals. As part of this, SDC continues its focus on limiting the amount of energy, mainly electricity, consumed by the Company. In the last five years, SDC's consumption of electricity, heating and water has decreased by 16 %, 10 % and 25 %, respectively.

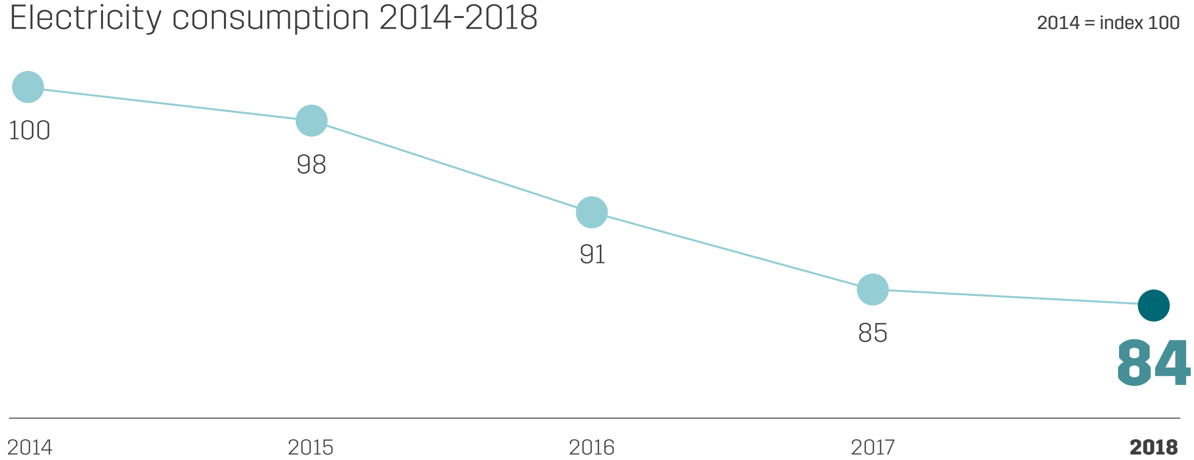
Did you know...

The majority of SDC banks have established more than

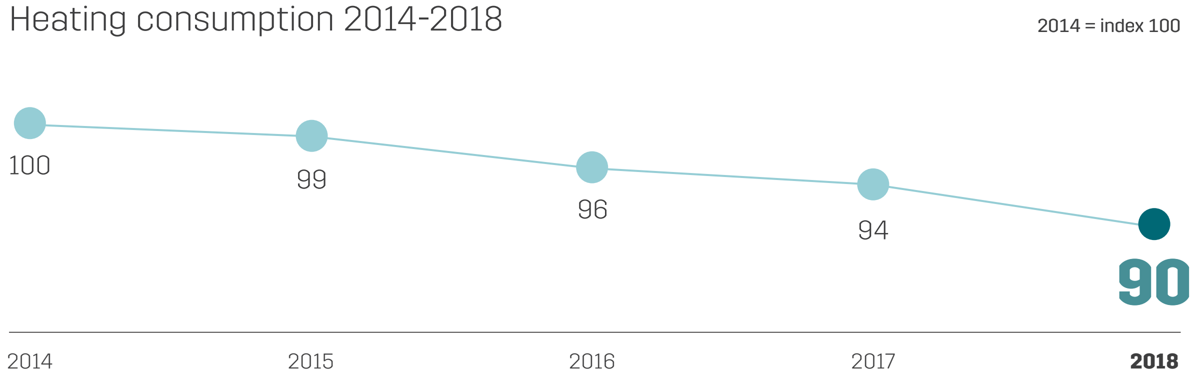
100

scenarios for identifying attempts at money laundering.

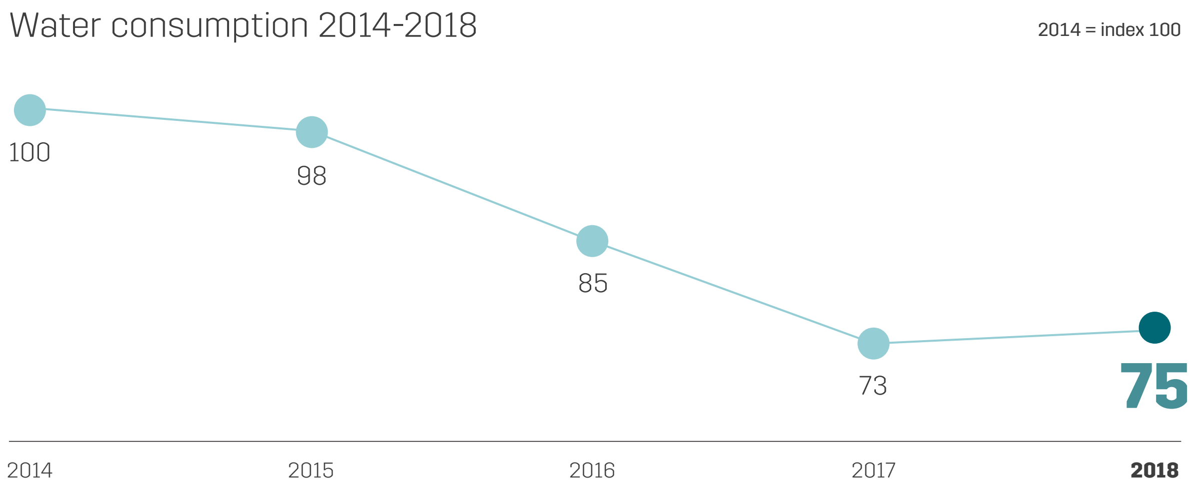
Electricity consumption 2014-2018



Heating consumption 2014-2018



Water consumption 2014-2018



SDC is making a targeted effort to reduce its resource consumption and environmental footprint. In the course of the last five years, SDC has reduced its electricity consumption by 16 %, its heating consumption by 10 %, and its water consumption by 25 %. The small increase in the water consumption in 2018 is due to the very dry summer in combination with the construction of the new green outdoor areas.

Furthermore, SDC's operations supplier, JN Data A/S, through a co-operation with the Municipality of Silkeborg, uses excess heating from cooling of server rooms etc. for residential heating.

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 are hybrid cars that can run on both electricity and petrol. Finally, a number of charging stations for electric cars have been established at SDC´s parking facilities, so that customers arriving at SDC can charge their cars while participating in a meeting at SDC.

SOCIAL CONDITIONS AND EMPLOYEE CONDITIONS

It is important for SDC to be an attractive workplace where employees are treated with respect and without any form of discrimination. SDC therefore supports the ILO's core conventions and UN Global Compact, which concerns employee rights, and the parts of the UN Global Goals that concern gender equality and 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 and other social schemes as well as trainees. SDC's employees are employed under conditions as described in relevant collective agreements/agreements.

The 2018 employee turnover at SDC has been in line with the IT sector in general. As a reflection of this, the change within age composition and gender composition has been moderate in 2018.

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 have been informed of this Code of Conduct and are expected to comply with it.

The employees' personal data is protected from misuse by means of security and compliance measures. In 2018, SDC completed a comprehensive GDPR project to ensure that SDC complies with the requirements in the General Data Protection Legislation, both in its capacity as data owner of information regarding its employees etc. and in its capacity as data processor for SDC's customers. The work with GDPR for daily protection of personal data has subsequently been embedded in the line organisation in a newly established compliance function.

As part of the GDPR project, the role of Data Protection Officer (DPO) at SDC was temporarily outsourced to SDC's project partner, Bech Bruun Advokataktieselskab, but was retransferred to SDC at the end of 2018. The role as DPO is organisationally embedded in SDC's compliance function. The work with compliance at SDC is carried out in accordance with best practice in comparable enterprises. Furthermore, international standards such as ISO27001-2-5, ITIL, COBIT, and PCI DSS are used.

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. There has been much attention on the procurement policy, which has become a well-established part of the processes in relevant functions and units at SDC. When offering tasks and as an integrated part of subsequent negotiations, potential suppliers are also made aware of SDC's Code of Conduct.

Did you know...

Middle-aged Danish men have

80%

more accounts than middle-aged Danish women. In the other Nordic countries, middle-aged men only have 20 % to 30 % more accounts than women in the same age group.

HUMAN RESOURCES

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

TARGET FIGURES

In 2018, the SDC Group had an average of 568 employees based on the ATP method (2017 = 602). The average age of the employees is 48 years, which is unchanged compared to 2017.

After conversion to full-time employees (FTE), the number of employees in the Group is unchanged at 565 FTE from the end of 2017 to the end of 2018. However, the distribution of employees per location has changed during the year since there has been a small decrease in Denmark and a corresponding increase in Poland. This has taken place as an intentional adjustment that reflects increased focus on the use of nearshore resources in Poland. At the end of 2018, there were 531 FTE in Denmark, 15 FTE in Sweden, and 19 FTE in Poland.

DESCRIPTION OF GENDER COMPOSITION

SDC's policy is to recruit the best qualified candidates for all positions, irrespective of gender. 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 63 % men and 37 % women. At managerial level, the gender composition is 54 % men and 46 % women. The gender composition of the nearshore resources in Poland is 90 % men and 10 % women. SDC finds the gender composition satisfactory considering the nature of the sector.

At board level, there has been no changes to the group of owners in 2018 that has 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. However, the board of directors still aims to have the underrepresented gender represented on the board by at least one person by the end of 2022. The practical implementation of this depends on the composition and internal distribution of responsibility on the executive boards of SDC's shareholders. In 2018, SDC's Board of Directors had a

Grisslehamn, Sweden

representative for the underrepresented gender elected by the employees. The Board of Directors is aware of the gender composition. At SDC's next general meeting, a proposal will be presented to expand the Board of Directors by two members. This may affect the gender composition.

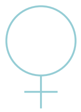
WORKING ENVIRONMENT AND CULTURE

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 at 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 co-operates with responsible and recognised partners and regularly ensures that the co-operation partners fulfil their obligations regarding working conditions. In addition, SDC has its own employees in the Polish branch. At the end of 2018, there were 19 permanent employees. Diversity among the employee is valued 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.

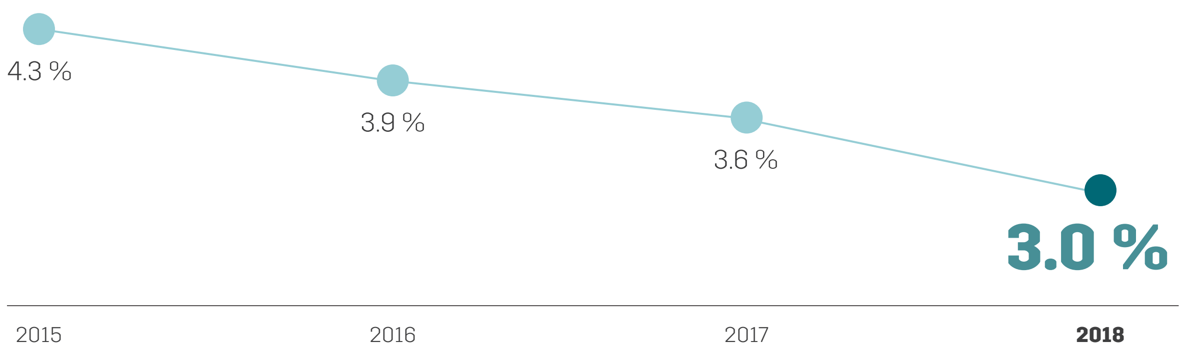
Did you know...



46%

of managers at SDC are women.

Sickness absence



SDC has seen a larger decrease in sickness absence than the IT industry as a whole. For each employee at SDC, there was an average decrease in sickness absence of 2 days (corresponding to a total of approx. 9,000 working hours) in 2018 compared to 2015.

Development in gender distribution

	2014	2015	2016	2017	**2018**
Total employees	64 % M 36 % W	63 % M 37% W	65 % M 35 % W	59 % M 41 % W	**63 % M** **37 % W**
Management	63 % M 37 % W	58 % M 42 % W	63 % M 37 % W	61 % M 39 % W	**54% M** **46% Q**

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 will be carried out in the spring of 2019 and will be a cross-border survey. The workplace assessment shows general satisfaction with the physical and psychological working environment in SDC.

In addition to specific job satisfaction measurements, the development in sickness absence is a good indicator of both physical and mental job satisfaction. SDC measures this parameter regularly and has seen a larger decrease in sickness absence than for the IT industry as a whole. A healthcare plan for all employees and a structured effort in connection with stress and long-term illness are considered to be significant contributing factors to the positive development. The decrease in sickness absence from 2015 to 2018 corresponds to an additional two working days annually per employee.

DEVELOPMENT OF EMPLOYEES AND EXECUTIVES

For SDC as an IT company, knowledge and an innovative culture are vital elements. 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 clarified individually and progress is monitored continuously. The work with development plans for the employees and handling of key resources contribute to ensuring SDC's ability to deliver and flexibility.

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.

On top of the common onboarding courses, which all new employees attend, onboarding sessions are held 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 Program. 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, the focus is on their ability to drive changes.

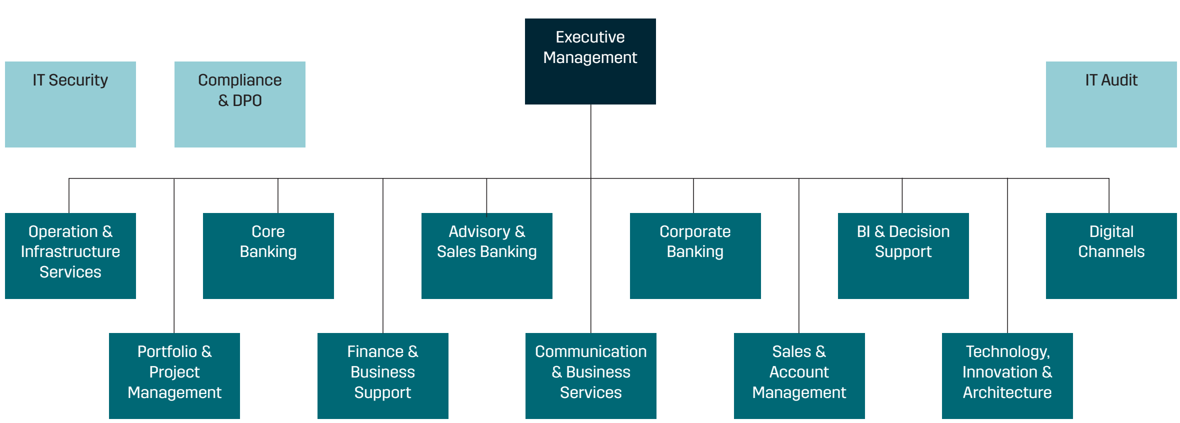
SDC works actively with the development of our co-operation among the resources across borders, and in 2018, SDC supported the integrating co-operation model by conducting a targeted management development program for the Polish managers, amongst other things.

Furthermore, SDC offers employees a broad range of development opportunities, both professional and personal courses, training and certifications. For example, E-learning is used in a number of areas for the mandatory training in IT security, basic knowledge of financial instruments, and personal planning. In 2018, there has been additional focus on data protection, and all employees have participated in mandatory instruction on GDPR, including SDC's Data protection policies.

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 co-operation between a number of companies affiliated with the financial sector and the Danish Financial Services Union. The purpose of this co-operation is to create a Danish growth environment for FinTech companies.

Organisation

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



FINANCIAL RESULT

DEVELOPMENT IN REVENUE

In the financial year, the SDC Group has generated revenue of DKK 1,418 million. This revenue is in line with the revenue for 2017 (DKK 1,429 million). The revenue is in line with the Company's expectations.

The geographical distribution of total group revenue is 58 % of revenue from the Danish market and 31 % of revenue from the Norwegian market. The Swedish and Faroese markets account for 7 % and 4 %, respectively, of total revenue in 2018.

Nominally, the Company's revenue for Danish customers has increased by DKK 45 million, which primarily concerns compensation from a resigned shareholder.

On the Norwegian market, revenue is largely unchanged at DKK 431 million compared to DKK 437 million in 2017. However, the neutral revenue development can be explained by a minor decrease in the volume of commercial tasks for existing customers, which is counterbalanced by an addition of five new Norwegian banks in 2018 (BRAbank Norge, Avida Finans Norge, Maritime & Merchant Bank, Nordic Corporate Bank, and NORDirektebank).

On the Swedish market, revenue dropped nominally to DKK 54 million in 2018 compared to 2017 (DKK 155 million). The declining revenue is an intentional down-scaling in SDC's Swedish branch due to the elimination of income from Sparbanken Öresund, which exited back in 2015. This reduction in revenue on the Swedish market was expected. Consequently, SDC adjusted its supply framework in Sweden and partly also in Denmark during 2017. Operating activities that were originally outsourced to Unisys are integrated in existing solutions at JN Data, and the location in Helsingborg has been down-sized. The timely cost adjustment has taken place continuously during the 2nd half of 2017 and the 1st quarter of 2018, whereby the reduction in revenue has not affected SDC's result in the financial statements for 2018. In 2018, SDC has concluded an agreement with three new banks on the Swedish market, JAK Medlemsbank, Avida Finans Sverige and BRAbank Sverige.

Revenue on the Faroese market has increased nominally by 6 % in 2018 to DKK 60 million (2017 = DKK 56 million). This increase can primarily be explained by the Faroese banks' increasing contribution to the financing of a number of joint commercial projects within, inter alia, Corporate Banking and BI.

Lofoten, Norway

The Group's revenue broken down on types of services is unchanged compared to previous years. Revenue may be broken down on types of services as follows: 32 % on operation and infrastructure, 39 % on joint development and system maintenance 10 % on additional services such as extraction from Datawarehouse, print, eArkiv and SDCnet, and 19 % on commercial tasks, which mainly include individual system development and other individual deliveries for the individual banks or a group of banks with common requirements.

One of the characteristics of SDC's customer portfolio is that it does not have one large, dominant customer on which the Company relies for its survival. SDC's largest individual customer accounts for just under 10 % of the group revenue while the smallest customer accounts for less than 1 %.

The significant dispersion of revenue on more than 120 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 at the end of 2017. In SDC's assessment, SDC is not, by virtue of the market dispersion within the Nordic countries and the underlying revenue dispersion at customer level, exposed to the same extent as the data centres that have a limited customer portfolio on the individual geographical market.

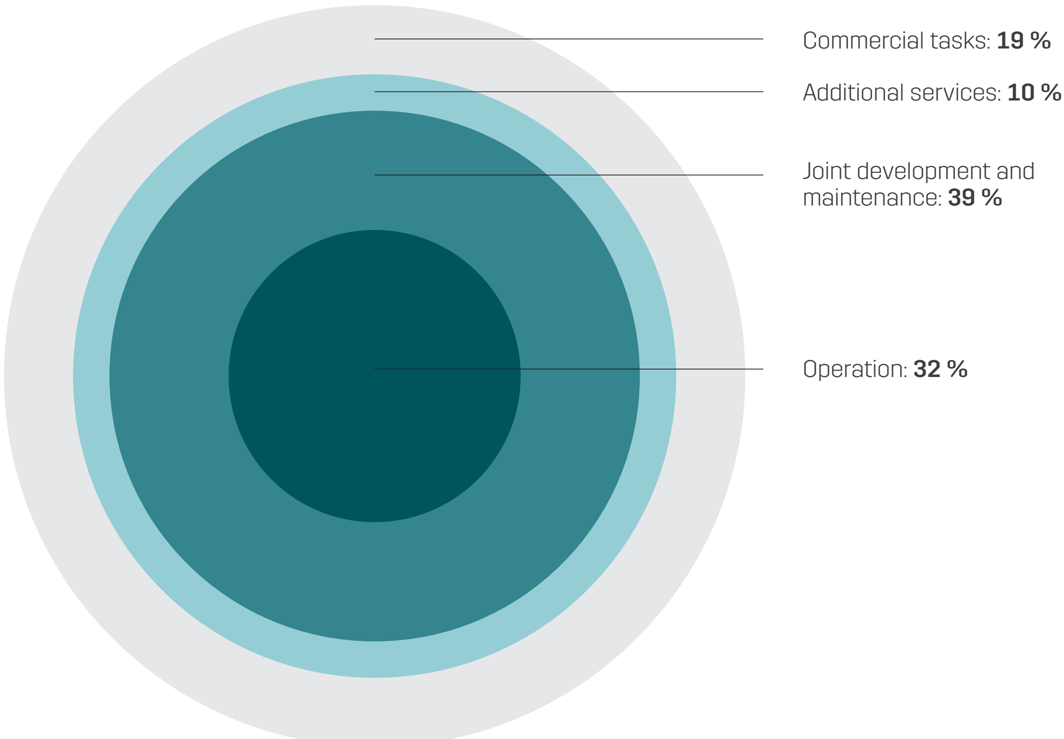
Did you know...

Price-to-book value of SDC's shares has increased with

7%

over the last five years.

Revenue distribution



EBITA RESULT

SDC's EBITDA result for 2018 is DKK 29 million, equivalent to 2 %. This level is unchanged compared to 2017 (DKK 26 million).

If SDC has been able to maintain an unchanged EBITA result it is because both the revenue level and the cost level are largely unchanged from 2017 to 2018. The explanation of the unchanged level is that SDC continuously attempts to adjust its costs to changes in both revenue and technology that change the underlying cost structures. It should also be noted that when SDC succeeds in keeping its costs of system maintenance more or less in check, despite the introduction of at least 10 new systems each year, this can only take place because SDC continuously increases the use of nearshore resources in the maintenance and development projects and constantly tries to optimise subcontractor agreements to the benefit of SDC and SDC's customers.

Development in EBITDA

2014	2015	2016	2017	**2018**
15.9 %	16.4 %	16.8 %	16.5 %	**19.8 %**

NEARSHORE

SDC has maintained its strategic focus on nearshore resources in 2018. Consequently, SDC has increased its operation in Poland in 2018 from 140 resources at the end of 2017 to 180 resources at the end of 2018. In addition to growth in the number of resources, there has also been a change in the extent of use of nearshore resources across the SDC organisation. Today, most areas within SDC use nearshore resources – not only the development areas but internal functions such as Accounts, HR, Internal IT, and Operations and Infrastructure.

The growth in the number of resources in Poland has mainly happened at the expense of the number of external consultants in Denmark, but also partly instead of new employments and re-employments in Denmark/Sweden. A trend that the Company expects will continue in 2019, where SDC expects that the number of nearshore resources at the end of 2019 will total >210 resources, corresponding to approx. 30 % of the total number of resources in SDC. Consequently, the number of resources in Denmark/Sweden is expected to decrease further in 2019.

At the end of 2018, SDC had 180 resources in Poland. Of these, 19 were permanent employees and 161 were employed on a consultancy basis. Irrespective of the employment scheme, SDC considers the overall resources to be an integrated part of SDC's production machinery and focuses on treating the resources on the same terms as permanent employees.

One effect of SDC's focus on nearshore has been that SDC delivered 37 % of the total number of maintenance hours through Polish resources in 2018. The corresponding share in 2017 was 32 %. This trend is expected to continue in 2019. SDC's goal is for the share of Polish resources to increase in 2019 to 45 % of the total number of maintenance hours.

Similarly, the blended rate for development projects also shows a positive trend. A resource mix was thus realised in 2018 for development projects corresponding to 21 % in 2018 compared to 17 % in 2017. The trend is thus the same as for the maintenance tasks. The 2019 target for blend is that 27% of the total development hours must be delivered by Polish resources.

As a result of SDC's focus on nearshore and blend (ratio between nearshore/Danish employees), SDC is able to increase the customers' benefit from their payment to joint development and maintenance. Thus, approx. 9 % more hours have been delivered within the same financial development framework in 2018 compared to 2017.

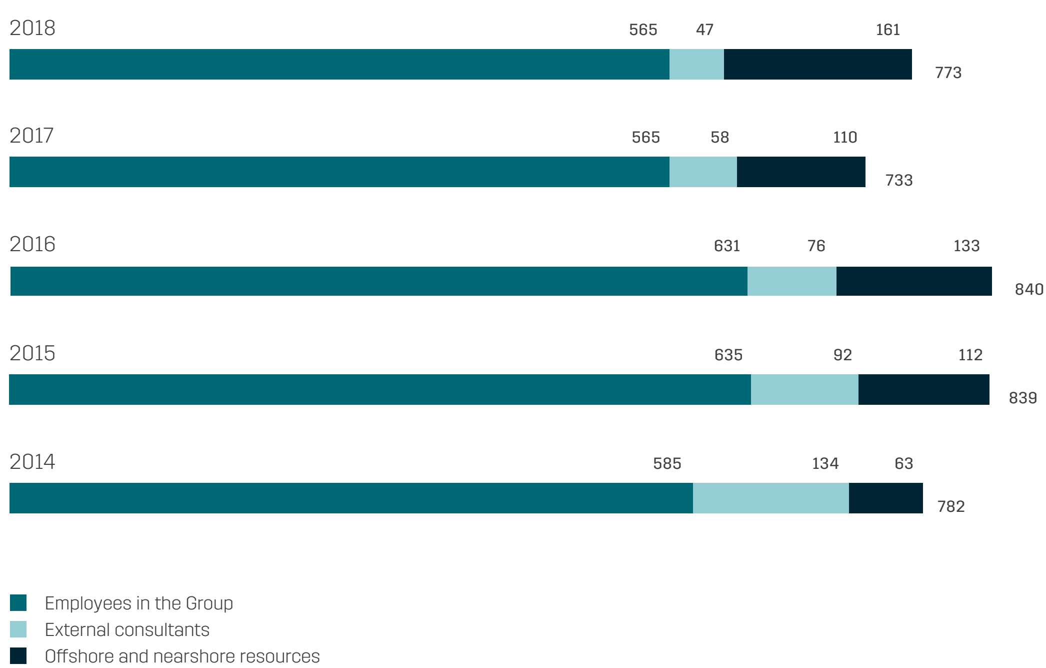
SDC's plan is to expand the use of nearshore gradually from pure resource reinforcement to also include the transfer of entire tasks and individual areas/teams to Poland.

STAFF EXPENSES

For the financial year 2018, gross staff expenses may be stated at DKK 535 million before transfer to development projects (2017 = DKK 552 million). Of the gross staff expenses, basic salaries account for 79 %, pensions account for 8 % and other staff expenses (primarily payroll tax) account for 12 %.

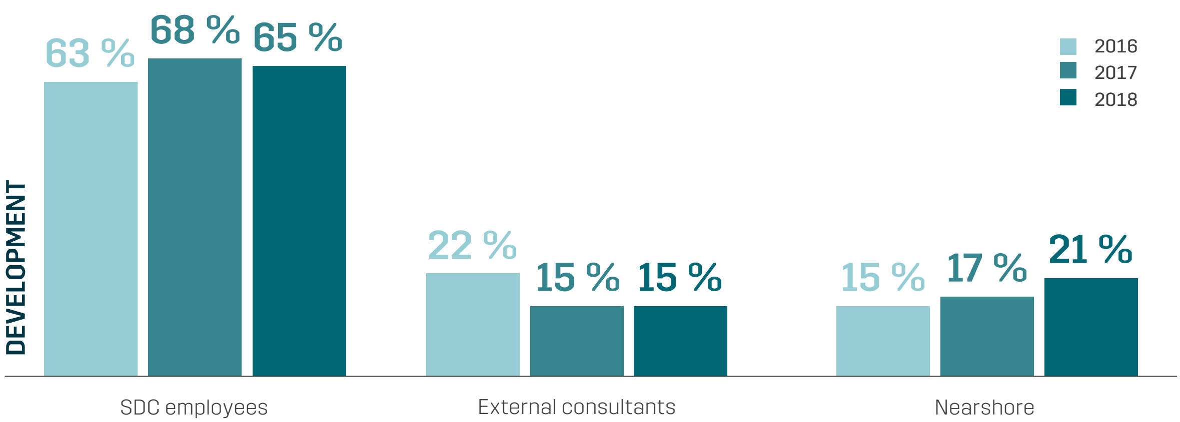
In 2018, the average gross costs per employee amount to DKK 941,000 including pension and payroll tax compared

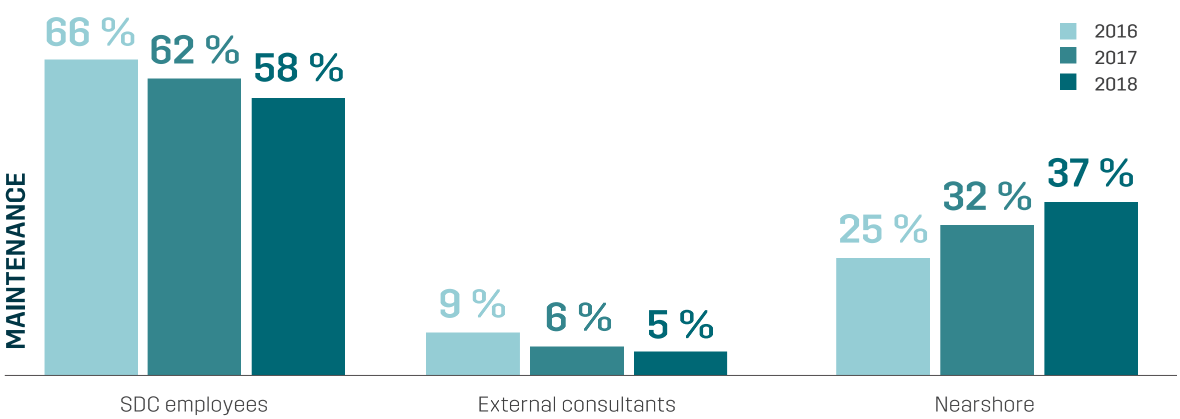
SDC's resources 2014–2018 (FTE, year-end)



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 37 % in 2018 compared to 32 % in 2016. The increased use of nearshore resources has meant that SDC has been able to deliver 9 % more development and maintenance per Danish krone in 2018 compared to 2017. The use of nearshore resources is expected to increase further in 2019 to ensure a high and continued increase in the delivery capacity at SDC without a similar increase in the banks' payments to SDC.





to DKK 916,000 in 2017. This corresponds to a gross increase of 2.8 % in 2018. The increase should be seen in the context of cost increases that are outside SDC's direct control, corresponding to approx. 2.4 % during the period. These involve a negotiated salary adjustment of +1.9 % at 1 July 2018 and an adjustment of the payroll tax at 1 January 2018 of +0.5 %. The remaining 0.4 % concerns wage drift.

Of the total gross staff expenses of DKK 535 million, DKK 126 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 409 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 2018 amounts to DKK 272 million (2017 = DKK 223 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 are higher than the level in the two preceding years. The reason for this is that, at the end of 2017 and the beginning of 2018, SDC commissioned a large number of new systems and depreciation of these has not started until 2018.

For the financial year, the Group's financial costs have been realised at a gross amount of DKK -9 million, but in practice there is setoff of extraordinary income related to SDC's purchase of shares in JN Data corresponding to DKK 5.8 million, as well as other financial income of a total of DKK 0.9 million. The financial costs amount to DKK -2.3 million net for the financial year.

The change of the ownership structure of JN Data at the end of 2018, and SDC's subsequent purchase of 20 % of its shares, means that JN Data is included as an associated undertaking of SDC, and that SDC's ownership share is included at the price-to-book value and not at cost. Consequently, SDC realises a profit for accounting purposes that corresponds to the difference between the cost price of the shares and the price-to-book value. This profit has been stated at DKK 5.8 million, which is recognised as financial income in the financial statements.

Compared to earlier, the change regarding JN Data also means that SDC now owns a participating interest in JN Data, which was previously a subordinate loan capital to JN Data of DKK 90 million.

SDC'S DEVELOPMENT COSTS

In 2018, SDC has incurred development costs of DKK 494 million (2017 = DKK 602 million). The total development activity comprises costs for joint 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 of DKK 278 million (2017 = DKK 366 million). To this should be added commercial system development for individual customers in 2018 of DKK 216 million (2017 = DKK 236 million).

Despite ever stricter regulatory requirements and major platform changes (such as Rådgiverplatform, BI & Regnskab, Corporate Banking platform, and a new Netbank and eBank), SDC is able to make these great investments with only moderate increases in the banks' ingoing payments and moderate increases in capitalisations. The reason for this is that SDC continuously optimises its business and adjusts its costs within practically all areas and not least the use of the nearshore resources.

PROFIT/LOSS FOR THE YEAR

Profit before tax for the financial year 2018 amounts to DKK 6.8 million (2017 = DKK 7.3 million), which corresponds to a normalised profit for the SDC Group over a period of five years.

The Group's operating profit (profit before financial items) for 2018 is stated at DKK 9 million (2017 = DKK 15 million). The profit for the financial year is in line with the expectations as communicated in the annual report for 2017 and with the profit/loss for the preceding year.

A tax expense of DKK -1.2 million has been included in the financial statements for 2018. The tax payment may be attributed to the Group's foreign branches. The Group's profit after tax is stated at DKK 5.6 million, which is in line with the Group's expectations.

Price-to-book value 2014-2018

2014	2015	2016	2017	**2018**
362	371	374	384	**387**

SDC's activities for the last three financial years

Amount in DKK million	2016	2017	**2018**
Opening balance sheet system capitalisation	647	644	**780**
Depreciation, amortisation and impairment losses for the year	-190	-190	**-235**
Additions	187	326	**275**
Balance sheet at year-end	644	780	**820**

From 2017 to 2018, SDC has had a net increase in the capitalised development costs of DKK 40 million. The addition primarily concerns investments in NEoS, which is a new eBank and sales platform, and the regulatory area, including IFRS9 and Financial Accounting.

LAND AND BUILDINGS

The Company's land and buildings are valued at market value according to the Company accounting policies. The market value is stated on the basis of an updated market valuation prepared by an independent appraiser using a return-based model. At the end of 2018, a new value calculation has been made based on the current conditions and a return of 6 %. This calculation shows a value of the property corresponding to DKK 389 million when taking into account vacancy rent and the general market situation in the local area.

Did you know...

SDC employs 1 employee for each

4,401

customer in the SDC banks.

EQUITY

The Group's equity at the end of 2018 has been stated at DKK 655 million compared to DKK 665 million at the end of 2017. The change in equity from 2017 to 2018 of DKK 10 million net is due to contrasting conditions. Profit/loss for the period after tax DKK +5.6 million. Repurchase of shares from an exiting bank at a value of DKK -15.8 million. The value and number of own shares are neutralised in the statement of changes in equity up until redistribution of these shares, whereby the stated price-to-book value of the company is not affected by this.

The repurchased shares will be redistributed to the other shareholders in connection with the annual redistribution immediately after the company's general meeting in May 2019. At this time, they will once more be attributed to the equity.

CASH FLOWS AND LIQUIDITY

SDC's cash and cash equivalents at the end of 2018 are DKK 61 million net, which is largely unchanged compared to

Gedser, Denmark

the end of 2017 (DKK 57 million net). With respect to this unchanged level, it should be noted that both the Company's revenue + other operating income and the Company's costs are generally in line with each other.

In addition to this, some financial transactions have been carried out in 2018 when SDC became a shareholder in JN Data, where the Company has purchased 20 % of the shares in JN Data and has received a return of the previously contributed subordinate partner capital. On its own, this transaction has generated DKK 30 million in excess liquidity. These funds are applied for repurchase of own shares as well as for settlement of debt.

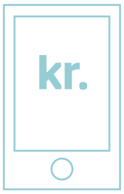
ACCOUNTING ESTIMATES

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 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.

Did you know...



Danish and Norwegian customers make

double

as many transactions in the mobile banking system as in the internet banking facility.

OTHER CONDITIONS

SPECIAL RISKS

SDC´s business is not significantly exposed to financial risks. The Group operates mainly in DKK and EUR. All customers are invoiced in Danish krone, and the only significant costs in other currency will typically be payroll costs in Poland and Sweden.

In case of significant costs in foreign currency, the need for any hedging of exchange rate fluctuations is assessed centrally.

The most significant 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 by multi-year agreements with established professional suppliers, mainly JN Data for IT operation, TDC for lines and communication, and KMD for print and other services and, in the future, NNIT within the workplace area.

FUTURE EXPECTATIONS

SDC expects to generate revenue in 2019 at approx. the same level as in 2018, with a profit before and after tax.

SDC expects the total development activity to be at approx. the same level as in 2018, but there will be an increased focus on additional streamlining and cost reductions.

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 2019 at the same level as the profit for this year, corresponding to +/- DKK 5 million.

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.

The only known change is that the planned merger of SDC Integrations A/S with SDC A/S as the continuing company has been implemented at 1 January 2019. The merger does not affect the financial statements for 2018 since the company was included as a wholly-owned subsidiary in the SDC Group.

CONSOLIDATED FINANCIAL STATEMENTS SDC 2018

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ACCOUNTING POLICIES

The Annual Report for SDC A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act.

The consolidated financial statements and financial statements for 2018 are presented in DKK thousand.

With reference to the true and fair view stated in the Danish Financial Statements Act, the Company has reclassified individual items in the profit and loss account. The change has affected the items “revenue” and “other operating income” The change has not affected the profit/loss for the year nor the equity. Comparative figures are updated accordingly.

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 reported currency is Danish krone. 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.

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 and rental income.

PROFIT/LOSS FROM EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

The proportionate share of the profit/loss for the year is included in the income statement under the items “Income from equity investments in subsidiaries” and “Income from equity investments in group undertakings”.

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 as regards the portion that relates to the net profit/loss for the year and is taken directly to equity as regards 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 10 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 AND ASSOCIATED COMPANIES

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

Under the balance sheet items "Equity investments in subsidiaries" and "Equity investments in associated companies", 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 and group undertakings 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 and group undertakings.

INVENTORIES

Stocks are recognised 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.

PREPAYMENTS

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

EQUITY

Dividend

The 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.

PREPAYMENTS

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.

CASH FLOW 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.

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

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

		Group		Parent company	
Note	DKK thousand	2018	2017	2018	2017
1	**Revenue**	**1,417,858**	**1,429,136**	**1,420,267**	**1,429,066**
	Other operating income	13,732	13,352	552	5,000
	Direct production expenses	-693,969	-768,270	-709,248	-788,782
	Other external expenses	-47,384	-45,000	-53,261	-49,137
	Gross profit/loss	**690,237**	**629,218**	**658,310**	**596,147**
2	Staff expenses	-409,329	-391,279	-396,686	-377,305
3	Depreciation, amortisation and other amounts written off tangible and intangible fixed assets	-271,820	-222,778	-250,799	-203,068
	Profit/loss before financial income and expenses, net	**9,088**	**15,161**	**10,825**	**15,774**
	Income from equity investments in subsidiaries	0	0	1,003	2,813
	Income from equity investments in associated companies	5,763	0	5,763	0
4	Financial income	892	1,231	883	1,170
5	Financial expenses	-8,976	-9,136	-11,900	-11,559
	Profit/loss before tax	**6,767**	**7,256**	**6,574**	**8,198**
6	Tax on profit or loss for the year	-1,186	-2,903	-993	-3,845
	Profit/loss for the year	**5,581**	**4,353**	**5,581**	**4,353**

BALANCE SHEET 31 DECEMBER – ASSETS

		Group		Parent company	
Note	DKK thousand	2018	2017	2018	2017
	Completed development projects	503,761	393,850	503,761	393,850
	Intellectual property rights	32,407	34,575	32,407	34,575
	Development projects in progress	316,392	385,750	316,392	385,750
7	**Intangible fixed assets**	**852,560**	**814,175**	**852,560**	**814,175**
	Land and buildings	390,878	408,741	1,874	1,874
	Production plant and machinery	5,969	545	5,969	545
	Other fixtures and fittings, tools and equipment	1,978	2,955	1,538	2,413
8	**Tangible fixed assets**	**398,825**	**412,241**	**9,381**	**4,832**
9	Equity investments in subsidiaries	0	0	479,347	479,023
10	Equity investments in associated companies	65,763	0	65,763	0
11	Other debtors	151	90,047	4,877	95,031
	Fixed asset investments	**65,914**	**90,047**	**549,987**	**574,054**
	Fixed assets	**1,317,299**	**1,316,463**	**1,411,928**	**1,393,061**
	Inventories	**468**	**381**	**468**	**381**
	Trade receivables	138,942	76,956	133,239	73,765
	Amounts receivable from group undertakings	0	0	3	1,956
	Other debtors	3,540	3,187	3,235	2,196
12	Deferred tax asset	43,023	42,888	43,603	45,731
	Corporation tax	285	0	0	0
	Corporation tax receivable from group undertakings	0	0	2,659	1,531
13	Prepayments	94,780	110,169	94,780	109,884
	Receivables	**280,570**	**233,200**	**277,519**	**235,063**
	Cash at bank and in hand	**60,501**	**57,236**	**58,980**	**45,333**
	Current assets	**341,539**	**290,817**	**336,967**	**280,777**
	Assets	**1,658,838**	**1,607,280**	**1,748,895**	**1,673,838**

BALANCE SHEET 31 DECEMBER – LIABILITIES

		Group		Parent company	
Note	DKK thousand	2018	2017	2018	2017
	Company capital	173,492	173,110	173,492	173,110
	Revaluation reserve	111,325	118,003	0	0
	Reserve for net revaluation according to the equity method	5,763	0	273,754	267,667
	Reserve for development costs	0	0	496,826	364,234
	Retained earnings	364,537	373,552	-288,955	-140,346
14	**Equity**	**655,117**	**664,665**	**655,117**	**664,665**
16	Other provisions	57,052	83,662	57,052	83,662
	Provisions	**57,052**	**83,662**	**57,052**	**83,662**
	Debt to mortgage credit institutions	189,686	201,125	0	0
	Amounts owed to group undertakings	0	0	191,648	203,208
	Other debt	8,647	7,990	0	0
17	**Long-term debt**	**198,333**	**209,115**	**191,648**	**203,208**
17	Debt to mortgage credit institutions	11,438	11,444	0	0
	Accounts payable	115,109	89,697	112,812	84,934
17	Amounts owed to group undertakings	0	0	119,672	101,008
	Corporation tax	0	385	18	385
17	Other debt	97,656	98,463	92,028	92,901
18	Prepayments	524,133	449,849	520,548	443,075
	Short-term debt	**748,336**	**649,838**	**845,078**	**722,303**
	Creditors	**946,669**	**858,953**	**1,036,726**	**925,511**
	Liabilities	**1,658,838**	**1,607,280**	**1,748,895**	**1,673,838**

15 Distribution of net profit

21 Contingencies and other financial liabilities

22 Related parties

23 Fee for auditor elected by the general meeting

CHANGES IN EQUITY

GROUP

DKK thousand	Company capital	Revaluation reserve	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	173,110	118,003	0	0	373,552	664,665
Cash capital increase	382	0	0	0	1,047	1,429
Dissolution of revaluation for previous year	0	-6,678	0	0	6,678	0
Purchase of own equity investments	0	0	0	0	-15,879	-15,879
Adjustment of interest hedging instruments at fair value at year-end	0	0	0	0	-870	-870
Tax on the adjustment of hedging instruments	0	0	0	0	191	191
Profit/loss for the year	0	0	5,763	0	-182	5,581
Equity at 31 December	**173,492**	**111,325**	**5,763**	**0**	**364,537**	**655,117**

PARENT COMPANY

DKK thousand	Company capital	Revaluation reserve	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January	173,110	0	267,667	364,234	-140,346	664,665
Cash capital increase	382	0	0	0	1,047	1,429
Purchase of own equity investments	0	0	0	0	-15,879	-15,879
Other changes in equity	0	0	-679	0	0	-679
Development costs for the year	0	0	0	214,446	-214,446	0
Depreciation, amortisation and impairment losses	0	0	0	-81,854	81,854	0
Profit/loss for the year	0	0	6,766	0	-1,185	5,581
Equity at 31 December	**173,492**	**0**	**273,754**	**496,826**	**-288,955**	**655,117**

CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER

Note	DKK thousand	Group 2018	2017
	Profit/loss for the year	5,581	4,353
19	Adjustments	275,324	233,586
20	Change in working capital	25,024	5,375
	Cash flows from operation before financial income and expenses, net	**305,929**	**243,314**
	Ingoing interest payments and the like	892	1,234
	Outgoing interest payments and the like	-8,859	-9,133
	Cash flows from ordinary operation	**297,962**	**235,415**
	Corporation tax paid	-2,247	-3,062
	Cash flows from operating activities	**295,715**	**232,353**
	Purchase of intangible fixed assets	-286,577	-339,372
	Purchase of tangible fixed assets	-10,209	-2,063
	Purchase of fixed asset investments etc.	-60,105	4
	Repayment of subordinate loan	90,000	0
	Cash flows from investing activities	**-266,891**	**-341,431**
	Repayment of debt to mortgage credit institutions	-11,561	-11,407
	Purchase of own equity investments	-15,879	0
	Sale of own equity investments	0	5,393
	Cash capital increase	1,429	0
	Other adjustments	452	-262
	Cash flows from financing activities	**-25,559**	**-6,276**
	Change in cash and cash equivalents	**3,265**	**-115,354**
	Cash and cash equivalents at 1 January	57,236	172,590
	Cash and cash equivalents at 31 December	**60,501**	**57,236**
	Cash and cash equivalents may be specified as follows:		
	Cash at bank and in hand	60,501	57,236
	Cash and cash equivalents at 31 December	**60,501**	**57,236**

NOTES TO THE FINANCIAL STATEMENTS

1: Revenue

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Activities				
Deliveries, Denmark	825,946	780,590	832,204	782,026
Deliveries, Norway	431,018	437,068	428,943	437,068
Deliveries, Sweden	100,994	154,938	99,495	153,470
Deliveries, Faroe Islands	59,900	56,540	59,625	56,502
	1,417,858	**1,429,136**	**1,420,267**	**1,429,066**

2: Staff expenses

Salaries	422,589	436,779	411,162	424,025
Pensions	42,118	44,926	41,084	43,938
Other staff expenses	70,608	69,923	70,426	69,691
	535,315	**551,628**	**522,672**	**537,654**
Transferred to development projects	-125,986	-160,349	-125,986	-160,349
	409,329	**391,279**	**396,686**	**377,305**
Remuneration for executive board and board of directors	**5,866**	**5,880**	**5,866**	**5,880**
Average number of employees	**568**	**602**	**552**	**585**

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	227,885	189,314	227,885	189,314
Depreciation of tangible fixed assets	23,636	23,002	2,615	3,292
Impairment of intangible fixed assets	20,306	10,851	20,306	10,851
Profit and loss on sale	-7	-389	-7	-389
	271,820	**222,778**	**250,799**	**203,068**

4: Financial income

Other financial income	23	113	23	53
Exchange rate adjustments	869	1,118	860	1,117
	892	**1,231**	**883**	**1,170**

5: Financial expenses

Interest expenses - group undertakings	0	0	8,334	7,743
Other financial expenses	8,976	9,136	3,566	3,816
	8,976	**9,136**	**11,900**	**11,559**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6: Tax on profit or loss for the year

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Current tax for the year	1,290	1,257	-1,257	65
Deferred tax for the year	-137	446	2,126	1,356
Adjustment of tax regarding previous years	33	1,130	124	2,354
Adjustment of deferred tax, previous years	0	70	0	70
	1,186	**2,903**	**993**	**3,845**

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	885,767	101,116	395,575	1,382,458
Additions in the year	0	11,645	274,931	286,576
Disposals in the year	-379,388	0	0	-379,388
Transfers in the year	354,114	0	-354,114	0
Cost at 31 December	**860,493**	**112,761**	**316,392**	**1,289,646**
Depreciation, amortisation and impairment losses at 1 January	491,917	66,541	9,825	568,283
Impairment for the year	20,306	0	0	20,306
Depreciation and amortisation for the year	214,072	13,813	0	227,885
Reversed depreciation of disposals for the year	-379,388	0	0	-379,388
Transfers in the year	9,825	0	-9,825	0
Depreciation, amortisation and impairment losses at 31 December	**356,732**	**80,354**	**0**	**437,086**
Carrying amount at 31 December	503,761	32,407	316,392	852,560
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

GROUP

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	500,924	29,199	11,284	541,407
Additions in the year	3,268	6,943	823	11,034
Disposals in the year	-417	-201	-201	-819
Cost at 31 December	**503,775**	**35,941**	**11,906**	**551,622**
Revaluation 1 January	202,696	0	0	202,696
Revaluation at 31 December	**202,696**	**0**	**0**	**202,696**
Depreciation, amortisation and impairment losses at 1 January	294,879	28,654	8,329	331,862
Depreciation and amortisation for the year	20,714	1,323	1,599	23,636
Depreciation, amortisation and impairment losses for the year on assets sold	0	-5	0	-5
Depreciation, amortisation and impairment losses at 31 December	**315,593**	**29,972**	**9,928**	**355,493**
Carrying amount at 31 December	**390,878**	**5,969**	**1,978**	**398,825**
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 % (2017: 6.0 %).

PARENT COMPANY

DKK thousand	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January	1,874	29,199	8,419	39,492
Additions in the year	0	6,943	417	7,360
Disposals in the year	0	-201	0	-201
Cost at 31 December	**1,874**	**35,941**	**8,836**	**46,651**
Depreciation, amortisation and impairment losses at 1 January	0	28,654	6,006	34,660
Depreciation and amortisation for the year	0	1,323	1,292	2,615
Depreciation, amortisation and impairment losses for the year on assets sold	0	-5	0	-5
Depreciation, amortisation and impairment losses at 31 December	**0**	**29,972**	**7,298**	**37,270**
Carrying amount at 31 December	**1,874**	**5,969**	**1,538**	**9,381**
Depreciated over		3-5 years	2-5 years	

NOTES TO THE FINANCIAL STATEMENTS (continued)

9: Equity investments in subsidiaries

	Parent company	
DKK thousand	2018	2017
Cost at 1 January	211,356	215,037
Disposals in the year	0	-3,681
Cost at 31 December	**211,356**	**211,356**
Value adjustments at 1 January	267,667	249,844
Disposals in the year	0	3,331
Profit/loss for the year	1,003	2,812
Dividend for parent company	0	-1,164
Revaluation for the year, net	0	11,644
Adjustment of interest hedging instruments at fair value for the year	-679	1,200
Value adjustments at 31 December	**267,991**	**267,667**
Carrying amount at 31 December	**479,347**	**479,023**

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 %

10: Equity investments in associated companies

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Cost at 1 January	0	0	0	0
Additions in the year	60,000	0	60,000	0
Cost at 31 December	**60,000**	**0**	**60,000**	**0**
Value adjustments at 1 January	0	0	0	0
Profit/loss for the year	5,763	0	5,763	0
Value adjustments at 31 December	**5,763**	**0**	**5,763**	**0**
Carrying amount at 31 December	**65,763**	**0**	**65,763**	**0**

Equity investments in group undertakings may be specified as follows:

Name	Registered office	Voting rights and ownership interest
JN Data A/S	Silkeborg	20 %

NOTES TO THE FINANCIAL STATEMENTS (continued)

11: Other fixed asset investments

	Group	Parent company
DKK thousand	Other debtors	Other debtors
Cost at 1 January	90,047	95,031
Additions in the year	104	104
Disposals in the year	-90,000	-90,258
Cost at 31 December	151	4,877
Impairments at 31 December	**0**	**0**
Carrying amount at 31 December	**151**	**4,877**

12: Deferred tax asset

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Deferred tax asset at 1 January	42,888	46,619	45,731	47,088
Amount recognised in the income statement for the year	135	-446	-2,128	-1,357
Amount recognised in the balance sheet for the year	0	-3,285	0	0
Deferred tax asset at 31 December	**43,023**	**42,888**	**43,603**	**45,731**

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 (2017: 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.

13: Prepayments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14: Equity

The company capital consists of 173,492,000 shares of nominally DKK 100. No shares carry special rights.

The Company's own equity investments comprise nominally 4,135,100, corresponding to 2.4 % of the Company's total capital (2017: 0 %), which has been acquired temporarily in connection with shareholders' discontinuation as customers of SDC A/S.

The company capital has developed as follows:

DKK thousand	2018	2017	2016	2015	2014
Company capital at 1 January	173,110	173,110	173,110	173,110	173,110
Cash capital increase	382	0	0	0	0
Capital reduction	0	0	0	0	0
Company capital at 31 December	**173,492**	**173,110**	**173,110**	**173,110**	**173,110**

15: Distribution of net profit

	Parent company	
DKK thousand	2018	2017
Reserve for net revaluation according to the equity method	6,766	4,979
Retained earnings	-1,185	-626
	5,581	4,353

16: Other provisions

Other provisions at 31 December 2018 comprises obligations regarding completion of projects.

Other provisions	57,052	83,662	57,052	83,662
	57,052	**83,662**	**57,052**	**83,662**

NOTES TO THE FINANCIAL STATEMENTS (continued)

17: 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	**2018**	**2017**	**2018**	**2017**
Debt to mortgage credit institutions				
After 5 years	143,710	155,174	0	0
Between 1 and 5 years	45,976	45,951	0	0
Long-term part	189,686	201,125	0	0
Within 1 year	11,438	11,444	0	0
	201,124	**212,569**	**0**	**0**
Amounts owed to group undertakings				
After 5 years	0	0	145,204	156,785
Between 1 and 5 years	0	0	46,444	46,423
Long-term part	0	0	191,648	203,208
Other short-term debt group undertakings	0	0	119,672	101,008
	0	**0**	**311,320**	**304,216**
Other debt				
After 5 years	4,035	4,230	0	0
Between 1 and 5 years	4,612	3,760	0	0
Long-term part	8,647	7,990	0	0
Other short-term debt	97,656	98,463	92,028	92,901
	106,303	**106,453**	**92,028**	**92,901**

18: Prepayments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19: Cash flow statement – adjustments

	Group	
DKK thousand	**2018**	**2017**
Financial income	-892	-1,231
Financial expenses	8,976	9,136
Depreciation, amortisation and impairment losses including profit and loss on sale	271,817	222,778
Income from equity investments in associated companies	-5,763	0
Tax on profit or loss for the year	1,186	2,903
	275,324	**233,586**

20: Cash flow statement – change in working capital

Change in inventories	-87	230
Change in receivables	-46.948	15,770
Change in other provisions	-14,763	38,502
Change in suppliers, etc.	87.692	-50,666
Adjustment of interest hedging instruments at fair value	-870	1,539
	25,024	**5,375**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21: Contingencies and other financial liabilities

Charges and security

The following assets have been provided as security to mortgage credit institutions:

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Land and buildings with a book value of	389,004	407,408	0	0

Other contingencies

As security for all outstanding balances for SDC Ejendomme A/S, SDC A/S has provided a primary liability guarantee to Sparekassen Kronjylland and DLR Kredit A/S.

SDC A/S 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 Group has concluded contracts to secure future transactions regarding the Group's property financing. The secured residual debt amounts to DKK 203,204 thousand at 31 December 2018 (2017: DKK 214,766 thousand), and the security contract expires on 30 June 2027. The fair value of the security contract is a negative value of DKK 7,644 thousand after tax at 31 December 2018 (2017: DKK 6,965 thousand).

SDC A/S has concluded agreements with service suppliers regarding delivery of IT services. Upon withdrawal from these agreements, SDC A/S is obliged to pay a total of DKK 33,000 thousand.

The Group has concluded agreements and contracts with a total obligation of DKK 37,255 thousand regarding IT services and facility management.

22: Related parties

Transactions

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

23: Fee for auditor elected by the general meeting

	Group		Parent company	
DKK thousand	**2018**	**2017**	**2018**	**2017**
Overview:				
Statutory audit	395	386	335	320
Tax consultancy	1,806	536	1,786	486
System audit	404	400	404	400
Other reports (system audit)	583	700	583	700
Other services	1,458	997	1,438	897
	4,646	**3,019**	**4,546**	**2,803**
Project related services				
MiFID, Investment advisory services & Asset Management	5,406	2,739	5,406	2,739
Financial accounting and EDW	6,657	3,095	6,657	3,095
IFRS 9	4,742	7,691	4,742	7,691
Project advisory services	554	787	554	787
	17,359	**14,312**	**17,359**	**14,312**
	22,005	**17,331**	**21,905**	**17,115**

Published by SDC A/S
May 2019
Design: Per Christiansen Design
Print: Dystan & Rosenberg
Photos: unsplash.com: Simon Caspersen, Jasper Graetsch,
Markus Gjengaar, Eskil Svensson, Karsten Koehn, Johan Rydberg,
Niklas Tidbury, Benjamin Blattler og istockphoto