KMD A/S
ANNUAL REPORT 2012

IT WITH INSIGHT

CONTENTS

KMD A/S
Ballerup
CVR no. 26 91 17 45
Annual Report for 2012
11th financial year

PROFILE

KMD – IT WITH INSIGHT

KMD's position as one of Denmark's leading IT and software companies is based on insight; insight that has its roots in and is anchored in Denmark's public sector, but that now benefits the private sector as well.

KMD is one of Denmark's largest IT and software companies, with branches in Copenhagen, Aarhus, Odense and Aalborg. The majority of KMD's business derives from software development, and the company develops and delivers IT solutions for the local government, central government and private markets.

KMD posted revenue of DKK 4.7 billion in 2012 and has over 3,300 employees

KMD is majority-owned by funds managed by private equity firm Advent International, with additional shareholdings by the Danish pension fund Sampension and management.

INSIGHT THAT SUPPORTS THE WELFARE STATE

For 40 years KMD has played a key role in digitizing the Danish welfare state and has played a considerable part in digitizing Denmark's public sector, which is now one of the best run and most efficient and digitized public sectors in the world.

KMD has developed and currently operates more than 400 IT systems that support Denmark's welfare state and accompany Danes from cradle to grave. Each year KMD's systems handle billions of kroner, equivalent to more than 25% of Denmark's GDP. Via the systems that KMD has developed, Danes receive a number of key welfare payments such as family allowance, maternity/paternity pay, sickness benefit, state pension and cash benefits.

KMD's financial management systems also handle the finances of many local governments, and each month 1 million Danes working in the private and public sectors receive their salary via KMD's payroll systems. A large number of local governments and private companies have also chosen to have KMD handle parts of their administration, for example payroll and HR administration.

THE FUTURE IS DIGITAL

KMD works constantly to create new digital shortcuts, and sees it as its responsibility to contribute initiatives and solutions that support and develop Denmark's welfare system. The public sector faces significant challenges: a smaller number of employees must help a larger number of people, and the money has to go further.

KMD views welfare technology and digitization as a response to how society can improve services for members of the public and simultaneously free up resources for the public sector.

KMD – A PARTNER FOR THE PRIVATE SECTOR

Decades of experience and expertise from the public sector mean that KMD is able to handle even the most complex IT projects the private sector can muster. KMD now offers a large number of services to private companies and organizations.

By outsourcing tasks such as operation and maintenance of IT systems, payroll and HR administration, and printing to KMD, companies can focus on their core competencies – benefiting the day-to-day business, strategy and innovation.

AN ATTRACTIVE WORKPLACE

KMD has over 3,300 employees, representing its key resource. KMD's IT experts and business specialists are national leaders in translating complex processes and legislation into simple and effective IT solutions that make life easier for citizens, and for employees and customers in the public and private sectors.

KMD is and will continue to be known as a good and stimulating place to work. In order to consistently live up to our customers' requirements, KMD's ambition is to be one of Denmark's most attractive IT workplaces with the strongest specialist environments and the most challenging and complex projects.

KMD WITH INTERNATIONAL AMBITIONS

KMD is an IT company based in Denmark, but its special insight also offers enormous potential beyond Denmark's borders. To this end, in the fall of 2010 KMD opened a subsidiary in Sweden, which will help to develop the customer base in the Nordic region.

RESULTS

THE PAST YEAR

2012 has been an eventful and satisfactory year for KMD.

In 2012 KMD celebrated its 40th anniversary as one of the leading IT providers to Danish society. The company is both proud and pleased to be a key player in developing and maintaining the digital infrastructure that binds Denmark together.

Another significant milestone for KMD in 2012 was the change of ownership. At the end of the year EQT and ATP sold KMD to the global private equity firm Advent International. Advent International's investment in KMD has been made in collaboration with Sampension, which is one of Denmark's largest pension companies.

The year has seen a number of exciting projects in the various market segments. In 2011 a significant number of local governments chose to enter into agreements to use KMD Opus in the administrative area, and in 2012 KMD was able to launch a new solution, which will further enhance local government administration.

In the fall of 2012 KMD entered into an agreement with Fredericia local government to implement a multi-disciplinary corporate management system to predict and plan development of the major services in the local government area. This is an extremely promising business area, for which KMD has high hopes.

2012 has also seen one of the largest IT projects in Denmark since the local government reform. This involves migrating a number of payment tasks from the local governments to Udbetaling Danmark [payment Denmark, UDK]. In total, the migration will affect around 2 million Danes and involve payments of approx. DKK 180 billion a year.

KMD's task is to carry out the IT transition for the migration and subsequently run the systems on behalf of UDK, until system support is put out to EU tender at a later stage.

Migration of the tasks is phased, and the first two payments were transferred to UDK in 2012. This is both a large-scale and complex project, and KMD is both pleased and proud to have made a good start with two successful migrations.

At the same time as migrating payment of maternity/paternity pay, KMD introduced a new system in the area. This is the first in its field to be based on the internationally recognized SAP platform. This was thus a world premiere, which KMD is pleased to be able to introduce.

In 2012 KMD also stepped up the pace in the two new strategic priority areas within welfare technology: education and care. In the fall of 2012 KMD Education was trialed by a number of selected schools ahead of its broad launch to municipal primary and lower-secondary schools across Denmark in spring 2013. KMD Online Omsorg [online care] has also been in a pilot phase in a number of local governments in 2012 and will be launched in a new version at the start of 2013.

KMD also got off to a good start with KMD Cloud, which was run in 2012 as a series of "proof of concept" projects for a number of public- and private-sector customers.

KMD also launched a number of other new solutions for specialist areas in the local government market. In the course of the year KMD entered into a number of agreements with local governments to implement voice recognition in their IT systems. In collaboration with the local governments, KMD has also focused on disadvantaged children and young people, creating the solutions KMD Stafetlog [relay] and KMD Nomadefamilie [welfare nomads] in collaboration with a handful of local governments.

2012 was also a notable year for KMD Printcenter. At the start of 2012 KMD acquired Itella Information A/S, whose services include printing, mail inserts, scanning and electronic archiving. The acquisition underlines KMD's overall growth ambitions in the print provider market. The acquired company and its activities were merged with KMD after the acquisition.

REVENUE AND PROFIT

REVENUE

The Group's revenue grew by 10.1% in 2012, from DKK 4,266 million to DKK 4,699 million, which is 2.1% above the outlook for 2012.

Growth in 2012 comprised partly organic growth and partly growth as a result of acquisitions in 2011, including KMD Informatik A/S and KMD Printcenter A/S. KMD Informatik was included for four months in 2011 but KMD Printcenter Hvidovre A/S was acquired on 30 December 2011 and therefore was not included in revenue in 2011.

Organic growth for 2012 was 6.1% and growth as a result of acquisitions 4.0%. Organic growth is thus approx. 1% above the outlook for 2012.

Revenue development in the existing market is considered satisfactory

The Group's revenue comes primarily from sale of services relating to legal and administrative software, as well as IT outsourcing, services and IT project sales.

EBITDA

The Group's EBITDA rose by 27% in 2012 from DKK 577.1 million to DKK 731.2 million.

EBITDA AFTER ONE-OFF ITEMS

Adjusted for one-off items, EBITDA rose by DKK 160.3 million to DKK 856.3 million.

One-off items in 2012 amounted to DKK 127 million, relating primarily to costs of rationalization measures and loss-making activities.

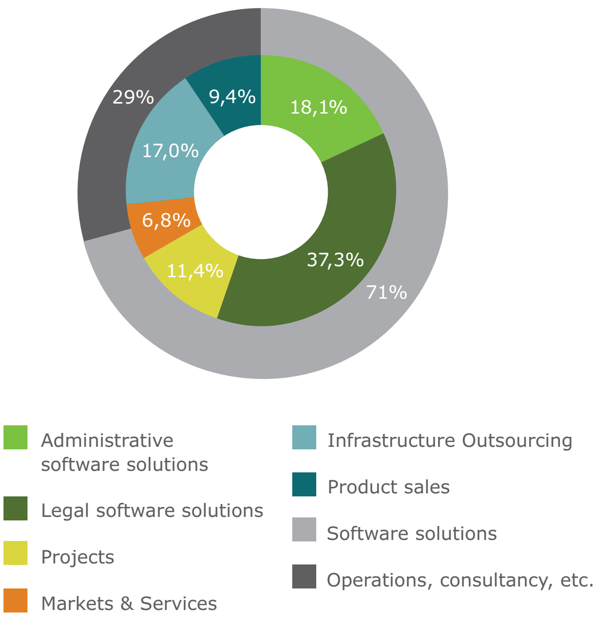
Adjusted for one-off items, the EBITDA margin was 18.2% in 2012, compared with 16.3% in 2011.

COMPREHENSIVE INCOME

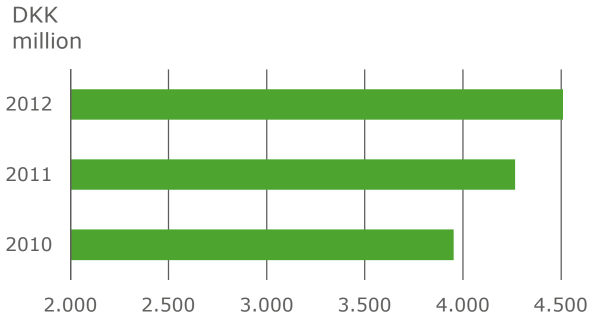
The Group had comprehensive income of DKK 449.9 million in 2012, against DKK 325.2 million in 2011.

The increase is in line with the outlook and has primarily been driven by positive revenue growth and implementation of rationalization measures in 2012.

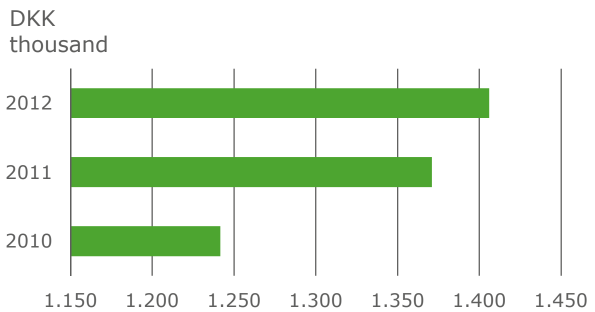
REVENUE BY BUSINESS AREA



REVENUE



REVENUE/AVERAGE NUMBER OF EMPLOYEES



FINANCIAL HIGHLIGHTS THE KMD GROUP

DKK MILLION

	2012	2011	2010	2009[1]	2008
INCOME STATEMENT					
Revenue	4,698.7	4,266,3	3,951.9	3,826.9	3,475.6
Expenses	3,987.3	3,697.1	3,469.8	3,568.8	3,166.6
Other operating income	19.8	7.9	2.2	0.1	
Earnings before interest, tax, depreciation and amortization (EBITDA)	731.2	577.1	484.3	258.2	309.0
Adjusted EBITDA[2]	856.3	696.0	526.3	386.7	
Depreciation, amortization and impairment losses	139.3	135.6	129.6	129.6	115.5
Operating profit (EBIT)	591.9	441.5	354.7	128.6	193.5
Net financials	10.5	-10.5	-25.2	11.2	-2.2
Tax	-154.1	-108.4	-85.3	-27.3	-47.8
Net profit for the year	448.3	322.6	244.2	112.5	143.5
Comprehensive income	449.9	325.2	244.5	110.0	
BALANCE SHEET					
Total assets	2,581.6	2,202.3	1,937.0	1,932.1	1,648.1
Net interest-bearing debt	-90.3	36.9	-103.4	286.1	464.6
Share capital	240.0	240.0	240.0	240.0	240.0
Total equity	969.2	699.4	674.2	429.7	419.7
CAPITAL EXPENDITURE					
Property, plant and equipment	85.7	175.8	116.4	105.7	164.3
STATEMENT OF CASH FLOWS					
From operating activities	535.5	519.3	614.3	434.2	195.4
From investing activities	-210.8	-356.6	-206.6	-153.4	-223.6
From financing activities	-229.1	-311.9	-246.5	-179.5	5.0
Net cash flow for the year	95.6	-149.2	161.2	101.3	-23.2
FINANCIAL RATIOS					
EBITDA margin	15.6%	13.5%	12.3%	6.7%	8.9%
Adjusted EBITDA margin	18.2%	16.3%	13.3%	10.1%	8.9%
Profit margin (EBIT margin)	12.6%	10.3%	9.0%	3.4%	5.6%
Solvency ratio	37.6%	31.8%	34.8%	22.1%	25.5%
Return on equity (ROE)	53.7%	47.0%	24.4%	26.6%	38.7%
EMPLOYEES					
Number of full-time equivalents, year-end	3,372	3,267	3,192	3,245	3,129
Average number of full-time equivalents	3,342	3,112	3,183	3,225	3,027

[1] With effect from 1 January 2009, the financial statements have been prepared in accordance with IFRS. The financial highlights for 2008 have not been restated.
[2] See explanation of financial ratios.

EXPENSES

COST MANAGEMENT

Expenses (staff costs and other external expenses) rose by 8% in 2012 to DKK 3,987.3 million.

Adjusted for one-off items, expenses rose by 8% in 2012 to DKK 3,860.3 million.

One-off items in 2012 amounted to DKK 127.0 million against DKK 121.8 million in 2011, primarily relating to rationalization measures and loss-making activities.

Staff costs rose by 5% or DKK 104.8 million. Beyond the general wage development, this can be attributed to employees from the acquisitions of KMD Informatik A/S and KMD Printcenter Hvidovre A/S being included with full effect in 2012.

Adjusted for one-off items, the increase in 2012 was 3% or DKK 58.7 million.

This development is considered to be satisfactory.

OUTLOOK

FINANCIAL OUTLOOK FOR 2012 REALIZED

The outlook for the KMD Group for 2012 published in the annual report 2011 was revenue growth of 8% and profit after tax above the level achieved in 2011.

Both these parameters were realized.

FINANCIAL OUTLOOK FOR 2013

KMD expects revenue for 2013 on par with 2012 and higher earnings (EBITDA), driven by operational optimizations.

The primary critical factors that could affect KMD's financial results both positively and negatively are the development in new sales to local governments and the development in sales in the private and central government markets.

With the current strategy, KMD expects to be able to retain its position as one of the top three software and IT service providers in Denmark.

EVENTS AFTER THE BALANCE SHEET DATE

At the beginning of 2013, a dividend of DKK 300 million was paid to the Parent Company KMD Holding A/S. The dividend paid has been recognized in the Danish consolidated company AI Keyemde 3 ApS, which has not paid a dividend.

No other events have occurred since the balance sheet date that have a material impact on the Company's financial position at 31 December 2012.

Corporate management helps to join the dots

Are the steps being taken to ensure the elderly can manage in their own homes for as long as possible without help from the local government working? What is the most effective way of getting the unemployed back into work? What is the trend in sickness absence within the local government, and how does this impact on the accounts? In 2012 KMD entered into an agreement with Fredericia local government to implement a multi-disciplinary corporate management system to predict and plan developments in major services in the local government area. Corporate management provides oversight and coherence between the local government’s finance, activities, processes and outcomes, and includes compiling information and data on all aspects of the local government.

KMD'S MARKETS

KMD IN THE LOCAL GOVERNMENT MARKET

The local government market is KMD's key market, accounting for 69% of its revenue.

In 2012 KMD achieved revenue growth of 7.2% in this market, which it considers satisfactory.

EFFECTIVE MANAGEMENT

A large number of local governments have opted to use KMD Opus to provide IT support for their processes in the administrative area. In 2011 a significant number of the local governments chose to enter into agreements with KMD to use KMD Opus, and 2012 has therefore been characterized by the initiation of numerous implementation processes.

By means of a series of management reports, KMD Opus provides information on aspects such as the local government's finances. KMD is in the process of extending the range to include corporate management.

In the fall of 2012 KMD entered into an agreement with Fredericia local government to implement a multi-disciplinary corporate management system to predict and plan developments in major services in the local government area such as schools, elderly care and the labor market.

This is an extremely promising business area, for which KMD has high expectations. Corporate management provides oversight and coherence between the local government's finance, activities, processes and outcomes, and includes compiling information and data on all aspects of the local government.

Several local governments that have chosen to outsource their payroll administration to KMD chose to renew or extend their agreements in 2012. Greve local government renewed its agreement via SKI, the public-sector procurement company, and Odder and Vesthimmerland local governments extended their agreements on the existing basis.

Outsourcing of IT operations has also been in the spotlight in 2012. Høje Taastrup local government is one of Denmark's most experienced public-sector organizations when it comes to outsourcing in the IT area. Following an EU tender process, the local government entered into an agreement with KMD to continue the collaboration that has been ongoing between the parties for many years. Kerteminde local government also entered into an agreement with KMD on IT outsourcing in 2012, becoming the first local government to choose to put data in KMD Cloud.

Effective local government management also includes ensuring that payments are being made on the correct basis. In 2012 KMD entered into a collaboration with Copenhagen local government to further develop KMD Kontroludtræk [cross-check], a solution that helps local government employees to identify people who are potentially receiving welfare payments to which they are not entitled. Around one-fifth of Denmark's local governments are currently using KMD Kontroludtræk in their work.

LOCAL GOVERNMENTS FOCUSING ON SERVICE

For many years now, caseworkers and keyboards have been regular partners in the work of local government, but this is now to be complemented by voice recognition. In 2012 KMD started projects with a number of local governments on voice recognition, which is intended to free up the time spent in front of the computer and raise the quality of work content to the benefit of the local government, employees and citizens.

KMD has started with the classic administrative systems but will be incorporating voice recognition in the product portfolio on an ongoing basis, including in mobile units for home care.

At the end of 2012, it became mandatory for citizens to communicate online with local governments in several areas. The local governments are making great efforts to make navigating around the websites and using the various services as easy as possible. In 2012 KMD entered into agreements with eight local governments to use KMD Kontaktcenter [contact centre]. Using an intelligent search engine and easy-to-understand texts, the solution ensures that citizens can make far greater use of local governments' websites to find answers to their questions.

IT HELPS DISADVANTAGED CHILDREN AND YOUNG PEOPLE

Disadvantaged children and young people is an area attracting a lot of attention from many quarters.
On the IT side, in 2012 KMD launched two tools to help local government employees in this area.

Halsnæs and Mariagerfjord local governments have worked in collaboration with KMD to develop a new tool that can be used to flag up any newly arrived welfare nomads to the local government at an early stage.

In collaboration with Skive and Kerteminde local governments, KMD has developed KMD Stafetlog [relay]. This new digital tool is intended to ensure that important information on disadvantaged children does not go astray between various authorities. Multi-disciplinary documentation and knowledge-sharing has previously been a big challenge for Denmark's local governments.

DIGITAL WELFARE

KMD has high expectations for digitization of the major welfare areas such as schools and elderly care in the coming years, and is developing Education and Care as major new strategic business areas.

Multiple reports from KMD Analyse [analysis] have shown that there is broad support among both professionals and the general public for digitizing areas such as schools and elderly care. Digitization can help both to raise quality and free up resources.

As part of the work to digitize municipal primary and lower-secondary schools, KMD has worked with teachers, pupils, local governments, publishers, companies and researchers to develop KMD Education. This is an IT solution that performs planning tasks, brings digital teaching aids into play, encourages differentiation and enhances teachers' professionalism by means of knowledge-sharing and collaboration. Trials of KMD Education were conducted throughout the fall of 2012 at a number of selected schools, ahead of its broad launch in municipal primary and lower-secondary schools in the spring of 2013.

2012 also saw pilot projects for new solutions in the care area. KMD Online Omsorg [online care] is a solution that makes it possible to deliver some care services via online video links. As a complement to physical face-to-face time, the solution can help to provide citizens with better service, prevent repeat hospital admissions among the chronically sick and free up resources in the local governments.

Initial experiences – including from a pilot project supported by the Danish Welfare Technology Fund – are generally positive. The projects have shown that delivering care services, rehabilitation, etc. via video-based links is extremely efficient, and that key stake-holders in the target group can benefit from the new opportunities. However, challenges for a number of citizens relating to internet connections have prompted changes in the solution, which will be launched in a new version at the start of 2013.

It has also been a good year for KMD in the underlying administrative care systems, with the acquisition of Rambøll Informatik in 2011 bringing a number of new solutions into the portfolio. In 2012 KMD was able to enter into a number of new agreements via tender procedures and the public-sector framework agreement SKI 02.19.

DECISION IN COMPETITION MATTER

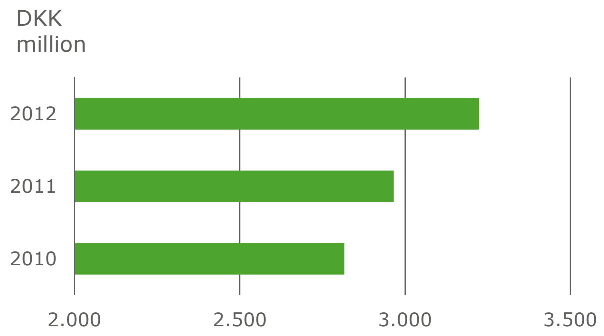
In 2012 the Danish Competition Council reached a decision in a matter concerning KMD's behavior in a number of cases in connection with the local government tender process in the period 2004-2009. The Council concluded that KMD had not been in breach of the Danish Competition Act. KMD is satisfied with the decision, including that the matter has finally been resolved.

CUSTOMER SATISFACTION

KMD's customer surveys reflect the company's long history in the local government market. 98% of the local government decision-makers questioned are familiar with KMD and perceive the company as a key provider of IT to local governments. This is significantly higher than the rest of the market.

Although decision-makers view KMD as a key provider of IT to local governments, the general perception of KMD has fallen. In 2012 the perception of KMD was on par with the other players in the market, whereas in 2010 and 2011 it was higher.

REVENUE



KMD IN THE CENTRAL GOVERNMENT MARKET

In 2012 KMD recorded a small increase of approx. 1.3% in the central government market and is satisfied with this development.

SKAT – A KEY CUSTOMER

Significant digitization is under way, under the auspices of central government, and is an important growth area for KMD. KMD's biggest customer overall in the area is SKAT, the Danish tax authority. Among other things, KMD provides the advance tax payment system and the new common collection system (EFI), currently under development. KMD is constantly developing its business with SKAT and in 2012 was re-awarded the valuation assignment, among others.

THE BIGGEST IT PROJECT SINCE THE LOCAL GOVERNMENT REFORM

One of the biggest IT projects in Denmark since the local government reform involves migrating a number of payment tasks from the local governments to Udbetaling Danmark [payment Denmark, UDK]. In total, the migration will affect around 2 million Danes and involve payments of approx. DKK 180 billion a year.

KMD's task is to carry out the IT transition for the migration and subsequently run the systems on behalf of UDK, until system support is put out to EU tender at a later stage.

Migration of the tasks is phased, and the first two payments were transferred in 2012, namely family payments – covering child and spouse maintenance, supplementary child benefit, child and young person allowances – and maternity/paternity pay. This is both a large-scale and complex project, and KMD is both pleased and proud to have made a good start with two successful migrations.

At the same time as migrating payment of maternity/paternity pay, KMO introduced a new system in the area. This is the first in its field to be based on the internationally recognized SAP platform. This was thus a world premiere, which KMD is pleased to be able to introduce.

EXTENDED AND NEW AGREEMENTS

Further to a tender procedure, in 2010 KMD entered into two contracts with ATP, the Danish labor market supplementary pension provider, to provide capacity and operating services. In March 2012 an agreement was concluded enabling ATP to exercise options in the agreements concerning operational performance, operational planning and technical architecture. The agreement successfully came into operation during 2012 and, as part of the agreement, 26 employees were transferred from ATP to KMD.

KMD has been providing SAP business services to the Danish Road Directorate since 2007, and in 2012 the agreement was renewed, which KMD is of course pleased about.

In 2012 KMD was approved as provider for a number of new framework agreements, and has positive expectations for these.

In the spring of 2012 the Danish Agency for the Modernisation of Public Administration conducted a tender procedure concerning a new framework agreement to run Navision Stat for public-sector institutions. The framework agreement provides opportunities for the institutions not using the Agency's earlier agreement to switch to the new agreement, and for institutions with particularly high security requirements to safeguard their operations using the new agreement.

SKI, the Danish public procurement company, has put several framework agreements within the area of IT and telecoms out to tender during 2012. KMD was selected as a provider under the framework agreement SKI 02.04 "Computers," and was ranked first across the entire range put out to tender as the most financially advantageous. At the end of 2012 KMD was awarded two of the four sub-agreements under SKI framework agreement 02.17 "Consultancy support for procurement and use of IT." KMD was also successful in SKI 02.15 "Technology-specific IT skills on an hourly basis," where it has been included in all six sub-agreements.

All SKI agreements may be used by all public-sector authorities.

INCREASED DIGITAL EMPLOYMENT INITIATIVE

In 2011, the Danish state, Local Government Denmark (KL) and the regions adopted the new common digitization strategy for the public sector, which has been continued under the new government.

KMD sees significant potential in the increased attention that further digitization is attracting, including in the area of employment.

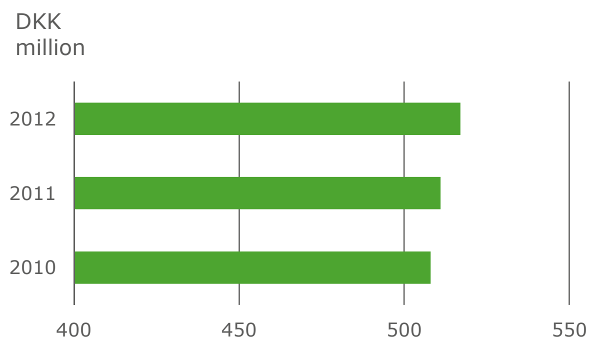
KMD anticipates that the common digitization strategy will result in unemployment insurance funds and job centers working more closely together on the employment initiative.

On this basis, in 2012 the subsidiary Organisator A/S, which is a leading player within IT solutions and systems for unemployment insurance funds and trade unions, became an integrated part of KMD. The merger was carried out in order to derive full value from the two companies' strengths and competencies, and thus to achieve increased growth.

CONTINUED PERCEPTION OF KMD AS KEY PROVIDER

For the first time, KMD's recognition analyses show that central government customers rate KMD as the key provider in the market for total IT solutions. KMD is further cited as the provider that most customers have used within the last three years.

REVENUE



KMD IN THE PRIVATE MARKET

In 2012, KMD experienced growth in sales to the private market of 21.2%, which is considered satisfactory.

CLOUD COMPUTING FOR THE PRIVATE MARKET

KMD has launched a Danish cloud solution based on Microsoft technologies, which, taking the DS 484 and ISO 20000/ITIL standards as their starting point, conform to the Danish Data Protection Agency's requirements for handling of personal data.

KMD Cloud covers infrastructure, platforms and software services, which are all invoiced on the basis of usage. As well as providing specific cloud services, KMD can also act as a full-service broker for IT services, advising customers and combining the various options available on the market.

In 2012, KMD's cloud solutions were run as "proof of concept" projects for a number of customers, including e-Boks.

In terms of expectations, KMD is positive that, via consultancy and the various cloud services, it will be able to match the demand from the private market for cost-effective business services combined with a high level of flexibility and security.

In 2012, KMD once again saw growth in IT operating tasks and major IT infrastructure projects, as well as within the area of systems and consultancy, where tasks involving Navision developed particularly well.

KMD's activities in the energy and supply area also experienced growth, with activities within settlement and meter management gaining increased acceptance in the market.

KMD GROWING IN THE PRINT PROVIDER MARKET

At the start of 2012, KMD acquired Itella Information A/S, part of the Finnish Itella group, whose services include printing, mail inserts, scanning and electronic archiving. The acquisition underlines KMD's overall growth ambitions in the print provider market. Since the acquisition, Itella has become an integrated part of KMD's print provider business.

KMD and the newspaper and magazine distributor Bladkompagniet entered into a distribution agreement in 2012 that enables KMD to offer customers of its printing services the opportunity to have their business letters distributed throughout Denmark via Bladkompagniet. There are many advantages to the agreement, including the fact that customers can have their material delivered seven days a week, 52 weeks a year.

KMD Printcenter also entered into new agreements in the private market in 2012 to assist PFA Pension and VP Securities with printing of pension statements, invoices, direct marketing, investor reports, etc.

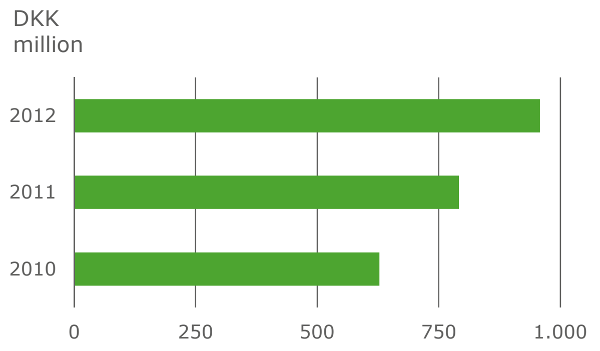
KMD – A KEY PROVIDER

In KMD's recognition analysis for 2012, KMD and one competitor share first place in the market, with 79% assessing both companies as the key provider of IT outsourcing to the private market.

KMD came out top in terms of ability to deliver IT operating services and outsourcing, with a full 84% indicating KMD as the best in this area.

The overall level of satisfaction with KMD among customers in the private market is 81%. KMD is satisfied with this but still sees potential for improvement.

REVENUE



Positive experiences with KMD Online Omsorg

KMD Online Omsorg [online care] is a solution that makes it possible to deliver some care services via online video links. As a complement to physical face-to-face time, the solution can help to provide citizens with better service, prevent repeat hospital admissions among the chronically sick and free up resources in the local governments. Initial experiences – including from a pilot project supported by the Danish Welfare Technology Fund – are generally positive. The projects have shown that delivering care services, rehabilitation, etc. via video-based links is extremely efficient, and that key stakeholders in the target group can benefit from the new opportunities.

CORPORATE COMPLIANCE AND GOVERNANCE

CORPORATE GOVERNANCE

The Board of Directors and Executive Board of KMD A/S are responsible for ensuring that the Company's management structure and control systems are appropriate and function satisfactorily. The basis for the management's work includes the Danish Companies Act, the Danish Financial Statements Act, the Company's articles of association, and rules of procedure for the Board of Directors and Executive Board, as well as generally accepted practice for companies of the same size as KMD.

The Management's review has been drawn up based on the guidelines of the Danish Venture Capital and Private Equity Association, Active ownership and transparency in private equity funds (see www.dvca.dk).

OWNERSHIP AND CAPITAL STRUCTURE

At 31 December 2012, the entire share capital of DKK 240 million (240,000 shares) in KMD A/S was owned by the Parent Company KMD Holding A/S, which is 100% owned by KMD Equity Holding A/S. KMD Equity Holding A/S is owned by AI Keyemde 3 ApS, which is 100% owned by AI Keyemde 2, which is 100% owned by AI Keyemde ApS. AI Keyemde ApS is owned by AI Keyemde & Cy SCA and the limited partnerships AI Keyemde B K/S and AI Keyemde C K/S.

The company structure is illustrated below. The share capital of KMD A/S is not divided into share classes.

In connection with the acquisition of the share capital in KMD Equity Holding A/S in 2012, AI Keyemde 3 ApS has taken up loans totaling DKK 3,425 million with a consortium of Danish and foreign banks.

DIVIDEND

The Company's articles of association authorize the Board of Directors to take decisions on distribution of extraordinary dividends where the Company's and the Group's financial situation so permit.

In December 2012, a total of DKK 180 million was paid in dividends to KMD Holding A/S. The dividend was used to repay loans.

THE WORK OF THE BOARD OF DIRECTORS

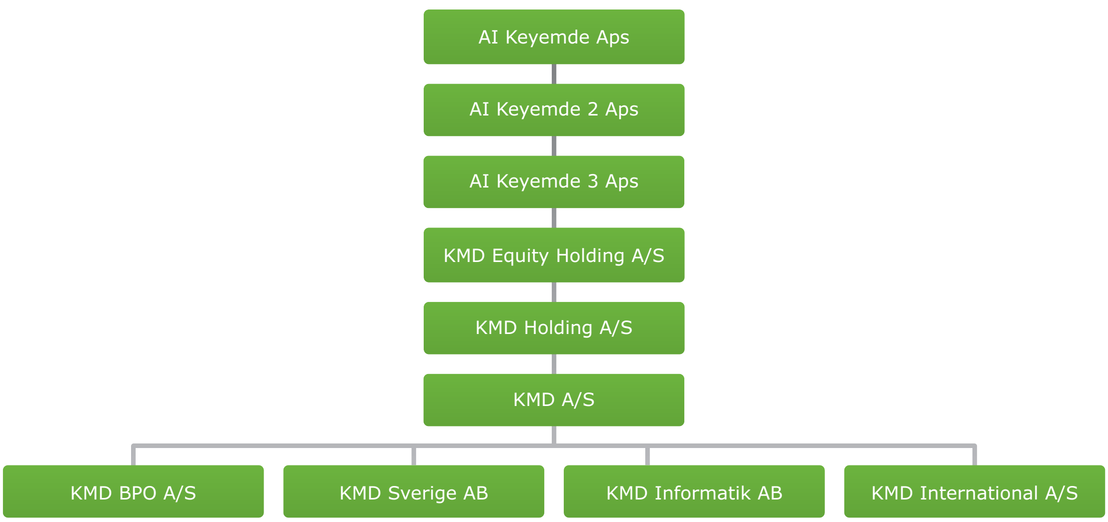
The Board of Directors held seven meetings in 2012, with ongoing follow-up on KMD's corporate strategy and action plans. The Executive Board briefs the Board of Directors on the Group's financial development on a monthly basis.

REMUNERATION OF THE BOARD OF DIRECTORS AND MANAGEMENT

A total of DKK 11.2 million was paid in remuneration to the Board of Directors and Management in the financial year. See Note 6 to the consolidated financial statements for further information.

REMUNERATION

Board of Directors	DKK 0.4 million
Executive Board	DKK 10.8 million
Total	**DKK 11.2 million**



CORPORATE COMPLIANCE

In 2012 KMD continued and stepped up the work to ensure compliance with the corporate compliance rules in KMD. A whistleblower scheme was introduced in 2012, after approval was finally obtained from the Danish Data Protection Agency.

The whistleblower scheme enables all employees and members of both the Executive Board and the Board of Directors to report circumstances in breach of legislation or KMD’s internal rules to either the internal Corporate Compliance team or an independent external lawyer, both of whom report directly to the chairman of the Board of Directors on whistleblower matters.

The whistleblower scheme covers aspects relating to the seven compliance areas in KMD – anticorruption, IT security, authorizations, competition law, intellectual property rights, contractual risk management, and document management and storage.

KMD’s employees were introduced to the whistleblower scheme in 2012 via the corporate compliance introductory course and the Corporate Compliance team’s ongoing provision of information and training for the employees of KMD. As well as introducing the whistleblower scheme in 2012, KMD has also stepped up compliance with and the work to further develop the corporate compliance areas in KMD by appointing a further lawyer to the Corporate Compliance team.

In 2012 KMD decided to initiate an update of the corporate compliance rules relating to competition law, with a view to ensuring continued compliance with the rules and strengthening the area.

2012 was the first year in which KMD fully implemented its corporate compliance program in all seven areas. The program is developed on an ongoing basis by means of articles, training of key employees, etc., and by means of the mandatory e-learning course in which all new and existing employees respond to dilemma-based questions in each of the seven compliance areas.

In connection with the sale of KMD in 2012, KMD has also initiated a process to ensure compliance with both US and UK anticorruption legislation.

KMD also works on an ongoing basis with IT security policies and programs that support KMD's objective of secure and correct data processing. In 2010 KMD was certified in accordance with Danish security standard DS 484:2005. Furthermore, in 2012 KMD was re-awarded certificates for quality (ISO 9001) and IT service management (ISO 20000).

SPECIAL RISKS

BUSINESS RISKS

Like all other IT companies, KMD is exposed to a number of business risks in relation to development of the market, customer demand, technological change, employee recruitment, project management, etc.

KMD works systematically with risks via an Enterprise Risk Management function, which operates in accordance with international guidelines and standards for risk management, providing KMD's Board of Directors and Executive Board with an overview of the Group's key risks and management thereof.

Early identification and evaluation of risks and planning how to handle and incorporate known risks in strategies and targets are now an integrated part of managing the business.

In recent years the most significant business risk has been development and implementation of the KMD Opus project. The project has required considerable resources.

Through EU tenders and SKI's framework agreements, in 2011 KMD entered into agreements with 56 of a possible 64 Danish local governments. The contracts won underline the fact that KMD Opus has proved to be extremely competitive in a market with rigorous customer requirements.

As KMD Opus supports customers' critical business processes, the biggest risk in 2013 is ensuring a high level of customer satisfaction among the large number of customers to be guided safely through a key change of finance and payroll systems.

KMD is well under way with the system implementtations, with KMD Opus Økonomi [finance] being implemented in 17 local governments in 2012 and KMD Opus Personale [payroll] in 25.

The Management of KMD is confident that the current plan for the implementations is sound. The Management is also convinced that sufficient resources have been allocated to the project and that the right project management and attention from senior management are in place to ensure a successful outcome.

A significant part of KMD's business involves legal IT systems, which currently come under the Transition Agreement, which was signed by Local Government Denmark (KL), KOMBIT – the local governments' common IT operation – and KMD in connection with the sale of KMD in 2009.

All fields will be opened up to competition in the coming years via KOMBIT and Udbetaling Danmark [payment Denmark], which has taken over a number of tasks from the local governments.

KMD supports free competition and considers it natural and logical to offer the solutions regulated by the Transition Agreement.

The change in business model will of course present a commercial challenge. However, KMD views the forthcoming opening up to competition with confidence given the Company's unique and sound domain knowledge.

CONTROL AND RISK MANAGEMENT

KMD has established a number of control and risk management systems in connection with financial reporting, the purpose of which is:

_ To ensure timely, accurate and informative financial reporting in accordance with current accounting legislation
_ To create a basis for internal financial control and budget follow-up

The control and risk management systems established are improved on an ongoing basis. Their purpose is to ensure that errors and irregularities are detected and corrected in time. The systems established can be divided into:

_ Control environment
_ Risk assessment
_ Control activities
_ Information and communication
_ Monitoring

CONTROL ENVIRONMENT

Responsibility and authorities are defined in the Board of Directors' instructions for the Executive Board, policies, procedures and codes. The Board of Directors approves KMD's primary policy for treasury and finance, and risk management. The Executive Board approves other policies and procedures, and the responsible functions issue guidelines and supervise the application of all policies and procedures. Systems have been established to ensure correct functional separation in the accounting department. The organizational structure and the internal guidelines define the control environment in conjunction with laws and other regulations.

RISK ASSESSMENT

Calculation of a number of items in the financial reporting is based on estimates, some of which are generated through processes based on complex assumptions. The ongoing process for risk assessment of contracts and projects in progress identifies these items, and the scope of the risks associated with the items is determined by the controllers responsible for the business in close collaboration with the accounting department.

CONTROL ACTIVITIES

The aim of the control activities is to prevent, detect and correct any errors and irregularities. The activities are integrated in KMD's accounting and reporting procedures and cover, among other things, procedures for certification, authorization, approval, reconciliation, analyses of results, separation of incompatible functions, controls relating to IT applications and the general IT controls.

All risk assessments and associated controls are consistent with KMD's strategy and targets.

INFORMATION AND COMMUNICATION

KMD maintains information and communication systems to ensure that the financial reporting is correct and complete. KMD's bookkeeping rules and procedures for financial reporting are set out in an accounting manual. The accounting manual and other reporting instructions, including budget and month-end procedures, are updated as necessary. Together with other policies relevant to internal control of financial reporting, these are available to all finance employees and other relevant employees on KMD's intranet.

MONITORING

KMD uses a comprehensive finance system to monitor the Company's results, making it possible to detect and correct any errors and irregularities in the financial reporting at an early stage, including established weaknesses in the internal controls, lack of compliance with procedures and policies, etc.

Compliance with the accounting manual is monitored on an ongoing basis at Group level.

All change for family payments

One of the biggest IT projects in Denmark since the local government reform involves migrating a number of payment tasks from the local governments to Udbetaling Danmark [payment Denmark, UDK]. Migration of the tasks is phased, and the first two payments were transferred in 2012, namely family payments – covering child and spouse maintenance, supplementary child benefit, child and young person allowances – and maternity/paternity pay. This is both a large-scale and complex project, and KMD is both pleased and proud to have made a good start with two successful migrations.

STRATEGY AND ORGANIZATION

KMD'S STRATEGY

KMD is the largest IT company based in Denmark, with the majority of its business deriving from software development. KMD has a clear focus on the public sector but uses its unique competencies and domain knowledge from the local and central government markets to gain contracts in selected subsegments of the private market. Additionally, in recent years KMD has expanded its operations beyond Denmark's borders.

KMD has been privately owned since 2009 and, at the end of 2012, the international private equity firm Advent International acquired KMD from EQT and ATP. Advent International's investment in KMD has been made in collaboration with Sampension, which is one of Denmark's largest pension companies.

The new owners view KMD as a sound and well-run IT company. The ambition is to continue developing the Danish growth track while simultaneously further cultivating the international potential.

In the short term KMD expects the company's growth to be more moderate than has been seen in recent years.

Taking the existing strategic plan as its starting point, the new Board of Directors will work with the Executive Board during 2013 to fine-tune the strategy.

GROWTH POTENTIAL

KMD remains a company based and headquartered in Denmark and will primarily continue to do business in Denmark.

The new owners bring greater international experience to KMD, and this will help to strengthen the company – both in Denmark and internationally.

KMD has had a presence in Sweden since 2010.

The aim of establishing the business in Sweden is primarily to adapt KMD's public-sector ERP solution KMD Opus to the Swedish market. In 2012 KMD was selected as one of two providers of IT solutions to the Swedish public sector via framework agreements. KMD views this as an important milestone in achieving success in the Swedish local and central government markets.

In 2012 KMD also continued to work toward its national ambitions within welfare technology. Work is well under way to develop two new strategic business units: Education and Care.

Both areas will grow in significance in the coming years as the public sector is expected to invest further in welfare technology in response to the economic and demographic challenges that Denmark is currently experiencing. Welfare technology is one of the key ways for the public sector to become more efficient, at the same time as meeting future service expectations.

KMD BRANDING

In connection with KMD's 40th anniversary, the company has focused internally on its role in society, including by means of an internal film competition. This was followed by a large-scale external campaign, comprising among other things the advertising film *Når it-Danmark vågner* [when IT Denmark awakes].

The aim of the advertising film, and the rest of the external campaign, is to highlight KMD's prominent history and role in the development of IT Denmark, including the new strategic business areas of Education and Care.

KMD also launched a new external careers site and campaign under the banner "Gør karriere for it-Danmark" [make a career in IT Denmark] about KMD as a workplace. KMD works strategically with employer branding in order to attract and retain the necessary talent.

KMD'S EMPLOYEES

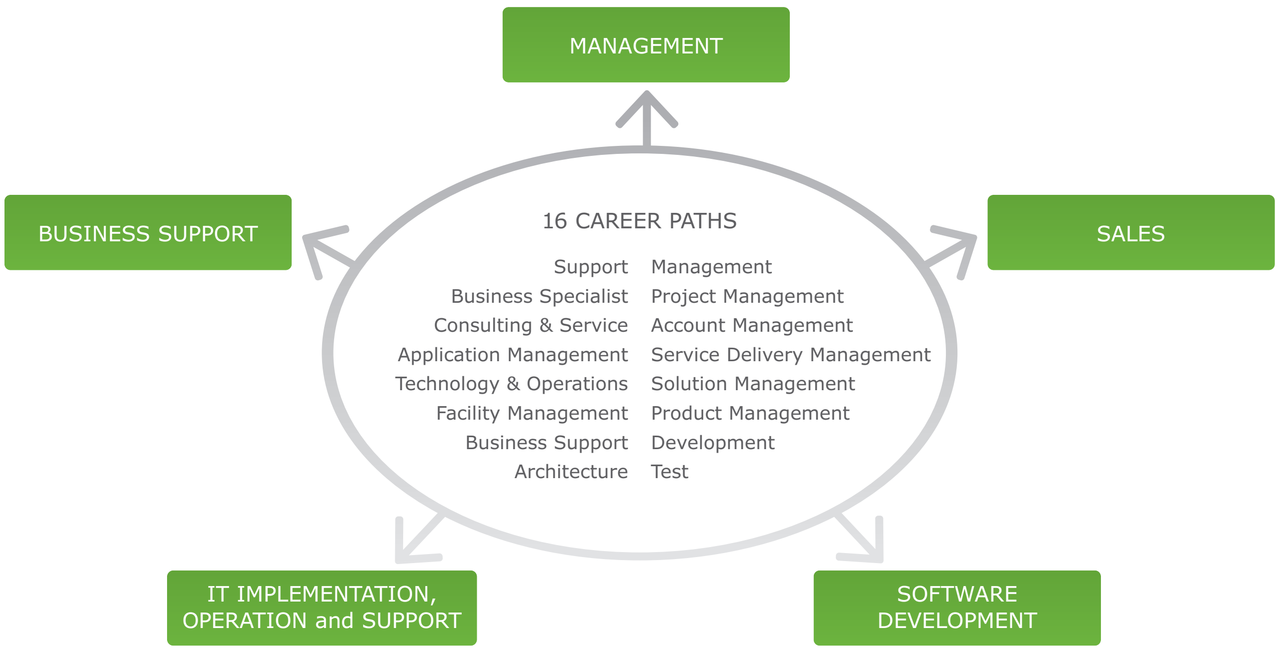
Employees are absolutely vital to the success of a company such as KMD, and provide the foundation for the success of its strategy and business initiatives. This is why areas such as recruitment, employee development, leadership and organization development are central to KMD's work.

In recent years, one of KMD's focus areas has been creating a positive and healthy performance culture, and the company has implemented the 'annual cycle' for all HR-related management processes, such that common and individual target agreements, multi-disciplinary performance evaluation and development interviews are in place for the entire KMD Group.

In recent years, KMD has also taken a structured approach to project management and processes through the Project Excellence and Operational Excellence projects.

Project Excellence is now in its closing phase, transitioning from project to general operation. Some of the work within the Project Excellence project has resulted in the development of a Project Management Office to look after KMD's handling of project work in the organization on a day-to-day basis. Another visible outcome of Project Excellence in 2012 has been the initiation of a new project manager training program at KMD.

At the beginning of 2012, KMD launched a major transformation program designated AS 2.0 in the part of the business that develops administrative IT solutions. The aim of the program is to improve efficiency, customer satisfaction and employee satisfaction. The program includes elements such as whiteboard meetings, coaching sessions and Standard Operating Procedures. Experiences with AS 2.0 have been so good that equivalent programs will be implemented in the other business units.



In 2012 KMD also focused on describing career paths to support KMD's performance culture and attract, develop and retain skilled employees.

KMD's career model comprises central career paths that clarify the development and career opportunities available and what KMD requires of the individual employee. The career paths will be implemented in 2013 and are expected to be completed by the end of the year.

With regard to recruitment and retention of employees, it is also important that KMD is viewed as a good place to work.

This is why employee satisfaction is an ongoing concern for KMD. As part of this work, KMD has appointed a number of multi-disciplinary working groups to recommend priority areas to work on at Group level. After a slight drop in general satisfaction in 2010 and 2011, KMD has turned things around, and the results of the employee satisfaction survey for 2012 show that 84% of employees are satisfied or very satisfied with working at KMD. KMD is satisfied with this development, but there are still some areas where there is room for improvement.

Consequently, a new focus area in 2012 has been strategy communication and deployment – both at Group level and down through the individual strata of the organization. In 2012 KMD therefore launched a project on Strategy Deployment, which is intended to better equip individual leaders in the business to render visible and deploy the business strategy.

SUBSIDIARIES

KMD BPO A/S

KMD BPO A/S is a wholly owned subsidiary of KMD A/S offering Business Process Outsourcing (BPO) services within the administrative processes, including payroll and HR administration, and has customers in both the public and private sectors.

KMD BPO A/S IN FIGURES

Revenue 2012	DKK 163.1 million
Profit before tax 2012	DKK 9.1 million
Equity, year-end 2012	DKK 12.2 million
Number of employees, year-end 2012	226

KMD SVERIGE AB

In 2010 KMD A/S established a presence in Sweden with the subsidiary KMD Sverige AB. Most of the business carried out by KMD Sverige AB in 2012 has taken the form of consultancy services. The aim of establishing KMD Sverige AB, however, is to use KMD's expertise and many years of experience from the public sector in Denmark to develop a Swedish counterpart to KMD Opus, which is enjoying great success among Danish local governments.

KMD SVERIGE AB IN FIGURES

Revenue 2012	DKK 35.2 million
Profit before tax 2012	DKK 4.9 million
Equity, year-end 2012	DKK 7.7 million
Number of employees, year-end 2012	23

KMD INFORMATIK AB

KMD Informatik AB became part of the Group in connection with the acquisition of Rambøll Informatik A/S and primarily undertakes system development and migration tasks for the private sector in Sweden.

KMD INFORMATIK AB IN FIGURES

Revenue 2012	DKK 23.6 million
Profit before tax 2012	DKK 1.6 million
Equity, year-end 2012	DKK 8.2 million
Number of employees, year-end 2012	29

KMD INTERNATIONAL A/S

The subsidiary KMD International A/S was established with a view to internationalization of selected activities concerning software-related products.

KMD INTERNATIONAL A/S IN FIGURES

Revenue 2012	DKK 4.6 million
Profit before tax 2012	DKK 1.8 million
Equity, year-end 2012	DKK 3.1 million
Number of employees, year-end 2012	0

BOARD OF DIRECTORS

CHAIRMAN
LÉO APOTHEKER
Born 1953
BA Economics & International Relations, Hebrew University, Jerusalem
Chairman since 2012

Other board positions:
Vice Chairman of the Supervisory Board of Schneider Electric SA

MEMBERS
JOHN WOYTON
Born 1978
B.Sc. Economics, London School of Economics
Director, Advent International
Member since 2012

FRED WAKEMAN
Born 1962
Bachelor’s degree in economics and history, University of California, Berkeley, and MBA, Georgetown University School of Business
Managing Partner, Advent International
Member since 2012

Other board positions:
Member of the board of Advent International plc.
Member of the board of DFS and Oberthur Technologies

MICHAEL CHRISTIANSEN
Born 1945
LL B, Copenhagen University
Member since 2010

Other board positions:
Chairman of the boards of DR, Dansk Retursystem A/S and the government’s Pay Commission
Member of the boards of Aarhus University, the Norwegian National Opera & Ballet and the Royal Opera in Stockholm

LARS MONRAD-GYLLING
Born 1960
CEO of KMD A/S
Employed in KMD since 1997
Member since 2012

Other board positions:
Member of the board of Kvadrat A/S

CARSTEN FENSHOLT
Born 1962
Chief Operating Officer & CFO of KMD A/S
Employed in KMD since 2009
Member since 2012

Other board positions:
Chairman of the boards of Eatcard A/S

ELSE BERGMAN
Born 1954
Subject adviser at KMD A/S
Employed in KMD since 1980
Member since 2012

Other positions:
Employee representative at KMD

BJERNE KAJ NIELSEN
Born 1956
Project manager at KMD A/S
Employed in KMD since 1981
Member since 2002

Other positions:
Employee representative at KMD

ERIK LYKKE HANSEN
Born 1952
Surveillance operator at KMD A/S
Employed in KMD since 1969
Member since 2002

Other positions:
HK union representative at KMD A/S
Chairman of the KMD National Club within HK

EXECUTIVE BOARD

LARS MONRAD-GYLLING*
CEO

CARSTEN FENSHOLT*
Chief Operating Officer
CFO

KAREN NIELSEN
Senior Vice President, Sales and Marketing

OLE N. J. JENSEN
Senior Vice President, Legal software solutions

BJARNE GRØN
Senior Vice President, Administrative software solutions

AKSEL BJØRN MØLLER
Senior Vice President, Infrastructure Outsourcing

HENRIK BJØRN RASMUSSEN
Senior Vice President, Market & Services

SØREN AMUND HENRIKSEN
Senior Vice President, Projects

KARIN SKJØDT HINDKJÆR
Senior Vice President, HR and Communication

CHRISTOFFER HOLTEN
Senior Vice President, Strategy and Business development

FLEMMING PRISTED
Senior Vice President, Corporate Services

* Registered with the Danish Business Authority

New digital classroom for Danish schools

As part of the work to digitize municipal primary and lower-secondary schools, KMD has worked with teachers, pupils, local governments, publishers, companies and researchers to develop KMD Education. This is an IT solution that performs planning tasks, brings digital teaching aids into play, encourages differentiation and enhances teachers' professionalism by means of knowledge-sharing and collaboration. Trials of KMD Education were conducted throughout the fall of 2012 at a number of selected schools, ahead of its broad launch in Denmark's municipal primary and lower-secondary schools in the spring of 2013.

REPORT ON
CORPORATE SOCIAL RESPONSIBILITY

This is KMD's statutory report on corporate social responsibility pursuant to Section 99a of the Danish Financial Statements Act. The report provides an overview of KMD's work as a socially responsible company. A broader overview of KMD's CSR efforts can be accessed at www.kmd.dk/csr. This does not, however, form part of the reporting pursuant to Section 99a.

Over the last 40 years KMD has provided digital support to Denmark's public sector. KMD is therefore a highly integrated part of Denmark's welfare state, and this forms the starting point for KMD's work on CSR.

In 2012 KMD has focused on implementing the strategy for working on CSR introduced by the company in 2011. This was done in conjunction with committing KMD to the 10 principles of the UN Global Compact.

The strategy comprised five general themes: Welfare, Digital Denmark, Employees, Climate & Environment and Supply chain. The strategy was tightened further in 2012 and now covers only four themes: Digital welfare, Employees, Climate & Environment and Supply chain. Efforts in relation to each of these themes are described in more depth below.

Together with the 10 principles of the UN Global Compact and KMD's CSR policy, the strategy forms the basis for KMD's work on corporate social responsibility.
For KMD, this means that we as a company do not represent a barrier to but instead make a contribution to social, economic and environmental sustainability.

This entails starting from KMD's position as an IT company with a vision of creating digital shortcuts for customers and society. In terms of CSR, this means that KMD will create digital shortcuts that contribute to a richer, safer and more sustainable society.

Work on corporate social responsibility in KMD is coordinated by the company's CSR Board, chaired by CEO Lars Monrad-Gylling and comprising the Senior Vice Presidents for Business Development, Sales and Marketing, Facility Management, Law, and HR and Communication. The CSR Board issues guidelines for the company's CSR efforts, and monitors and ensures progress on the targets set for the various priorities. KMD's works council also serves as a reference group for the development of CSR work.

KMD considers the overall achievements in relation to the company's corporate social responsibility to be satisfactory.

DIGITAL WELFARE

RESULTS ACHIEVED

In 2012 KMD has chosen to focus on Digital welfare in terms of citizen-focused service areas in the public sector: education and the health and care sector. KMD sees great opportunities for Denmark as a society to find digital solutions to the demographic and economic challenges facing the welfare model we have established. As one of Denmark's largest IT providers, KMD seeks to support this in a responsible manner. We are therefore focusing on extending solutions and sharing knowledge, but are aware of the challenges increased digitization may present for individual groups in society.

LEKTIER ONLINE

KMD has entered into a partnership with the State and University Library in Aarhus to establish three online "homework cafés" at KMD's sites in Ballerup, Odense and Aalborg. The "Lektier Online" [homework online] project involves up to 48 KMD employees providing online help with homework via the website www.lektier-online.dk. The homework cafés opened in April 2012.

KMD's employees are able to swap their normal working hours for shifts as online helpers. A total of 53 employees have now completed an introductory course from Lektier Online to become trained helpers, and further training is offered on an ongoing basis.

The target group is primarily children and young people from disadvantaged areas. This target group typically has no opportunity to get help with homework from parents, and boys in particular do not use the physical homework cafés in their local communities[3].

KMD decided to get involved in the project because it is a very clear example of how digital aids can increase disadvantaged children's chances of completing their schooling and going on to further education.

In 2012 online help with homework was provided on over 8,000 occasions, and more than 3,500 pupils created a profile, taking the number of profiles on lektier-online.dk to almost 10,000. In October 2012 Lektier Online and KMD were presented with the prize for "Partnership of the Year" at Volunteering Day in Copenhagen.

To build on the partnership, in September 2012 KMD entered into an agreement with the State and University Library in Aarhus to further develop the digital platform for Lektier Online. KMD will work with the State and University Library to expand the target group for online homework help. The first pilot studies involving upper-secondary schools are planned for the first half of 2013.

Read more about Lektier Online at www.statsbiblioteket.dk/lektier-online (in Danish).

LØKKEFONDEN AND THE KHAN ACADEMY

In June 2012, KMD joined forces with LøkkeFonden – a charity with the mission "to bring boys back from the edge to become useful members of society" – in announcing the intention to provide a Danish version of the much-praised US online teaching universe, Khan Academy.

Khan Academy brings together several thousand teaching videos that enable pupils to practice their skills, primarily in the natural sciences. The videos and the accompanying exercises have to date only been available in English, but the videos will now be made available to all students in Denmark in Danish thanks to a collaboration between KMD and LøkkeFonden, founded by former Danish Prime Minister Lars Løkke Rasmussen.

By the end of December 2012, a total of 35 mathematics videos had been recorded and uploaded to Khan Academy's Danish YouTube channel, and more than 100 videos had been translated, which have not yet been recorded.

Read more at www.loekkefonden.dk (in Danish).

[3] The State and University Library in Aarhus, study of pupils' opportunities for help with homework, 2010.

ÆLDRE SAGEN

In May 2012, KMD joined forces with Ældre Sagen – Denmark's largest organization for the elderly – to launch the e-learning program "Bliv dus med din computer" [make friends with your computer]. The program is targeted at senior citizens with limited IT knowledge and is intended to be used as part of the organization's work to raise the general level of IT skills among senior citizens.

Through this collaboration, KMD seeks to highlight the fact that almost 400,000 senior citizens have never been online and the big social challenge this represents when 80% of communication between citizens and the public sector will be digital by the end of 2015.

The program has been jointly developed by developers from KMD and volunteer IT teachers from Ældre Sagen and is used as a complement to the thousands of IT courses the organization already runs each year. The goal is for at least 10,000 senior citizens to have used the course by the end of 2013. At the end of 2012 the program had already been used 14,970 times[4].

Read more about the partnership at www.aeldresagen.dk/dus-med-pc (in Danish).

KNOWLEDGE-SHARING

In 2012 KMD has focused on creating and sharing knowledge of the solutions that will be required to realize the political ambitions for digitization of the public sector, as well as working to bring about vigorous debate on how we want to use IT in both the public and private sectors.

KMD's analytical unit, KMD Analyse, has published three reports on digitization in 2012: two on digitization of the municipal primary and lower-secondary school and one on Danish people's attitudes to welfare technology. The reports all focused on digitization of society and prompted broad debate.

Furthermore, in his capacity as a member of the Digital Council alongside the CEOs of TDC and Microsoft, CEO Lars Monrad-Gylling has co-developed a self-evaluation tool to enable school heads to assess their own schools' level of digital maturity.

As part of ongoing efforts to engage with the Company's stakeholders at all levels, in 2012 KMD once again co-hosted Welfare Innovation Day with the independent think tank Mandag Morgen and a number of other players.

Along the same lines, in 2012 KMD set up two communities that use the social media Facebook, LinkedIn and Tumblr to engage stakeholders and encourage debate and knowledge-sharing on digitization of the health and education sectors under the names "Sundhed med udsigt" [health with outlook] and "Læring med udsigt" [learning with outlook]. The two communities have 2,160 and 4,620 followers respectively on Facebook[5].

WORK EXPERIENCE WEEK

In 2012, for the fifth time, KMD participated in the Danish IT Industry Association's work experience week, welcoming 43 pupils in year 9 from across the country for a week of work experience and giving them the opportunity to grapple with the development of IT for schools. By doing this, KMD is helping make IT an exciting and contemporary subject with many possibilities. IT will be one of the key areas in the coming years in overcoming many of the challenges that Denmark faces as a welfare state. By opening its doors, KMD hopes to help stimulate interest in IT and KMD in the longer term.

[4] As at 18 December 2012.

[5] As at 19 December 2012.

DONATION OF PCs

In 2012 KMD donated old PCs to three different projects. The largest was the collaboration with NordVirk, an organization based in northern Jutland, Denmark, that aims to give young people with autism spectrum disorders the opportunity to get a job where they can make a positive contribution to an organization or a company's bottom line. In 2012 NordVirk received more than 400 old PCs from KMD, which have been equipped with new software and sold via NordVirk's website.

In addition, KMD donated two sets of 10 PCs to Danish Red Cross Youth – Denmark's largest humanitarian youth organization – for use in a project involving disadvantaged young people, and Lysholmskolen, a special school for children with various diagnoses and disabilities.

KMD considers the overall CSR work relating to Digital welfare to be very satisfactory.

GOALS FOR 2013

EDUCATION

Lektier Online: KMD will continue the partnership with Lektier Online in 2013. The goal is for a minimum of 45 employees to be involved in the project on a continuous basis during the year. KMD will also work with Lektier Online to launch a new version of the digital platform.

Khan Academy: In 2013 KMD will work with Løkke-Fonden to open a Danish version of Khan Academy. The Danish version of Khan Academy will contain a minimum of 400 videos by the end of 2013.

Partnerships in the education sector: KMD will develop a partnership with University College Copenhagen (UCC) on use of Tech-Tutors – a group of students particularly interested in IT, which will support the expansion of digital tools in teaching at UCC.

CARE AND HEALTH

Ældre Sagen: KMD and Ældre Sagen have set a target of having 20,000 users of the e-learning program "Bliv dus med din computer" [make friends with your computer] by the end of 2013. In addition, KMD and Ældre Sagen will jointly evaluate the product and assess whether to carry out further development.

Collaboration with patient organizations: In 2013 KMD will establish a collaboration with one or more patient organizations concerning improvements to patients' conditions in connection with implementing more digital solutions in the care and health sector.

KNOWLEDGE-SHARING

In 2013 KMD will publish a minimum of three analyses from KMD Analyse, continue its work on the Digital Council, co-host Welfare Innovation Day and increase the dialogue in our online communities on the social media.

Lektier Online provides help with homework for children and young people

In 2012 KMD has collaborated with Lektier Online [homework online] to establish its own online "homework cafes," manned by KMD employees. Employees are able to swap their normal working hours for shifts as online helpers. KMD decided to get involved in the project because it is a very clear example of how digital aids can increase disadvantaged children’s chances of completing their schooling and going on to further education.

EMPLOYEES

RESULTS ACHIEVED

KMD wants to be an attractive workplace where employees are proud of the contribution we make to society – by virtue of both our products and our behavior and knowledge.

We also believe that if KMD as a company is to remain strong, we will need to create clear frameworks for our employees, providing them with scope for personal and professional development and flexibility in their working life. We believe that we as a company must have room for differences and have big ambitions, giving employees the personal freedom to achieve the common goals and optimizing our opportunities for success. And be somewhere that employees can do this irrespective of their gender, age, religion, disability or sexual orientation.

PRIDE

KMD's annual employee satisfaction survey for 2011 revealed a downturn compared with 2010. KMD therefore appointed four working groups, comprising 80 employees and managers, which worked on four general themes: job satisfaction and pride, management and communication, skills and tools, and procedures and processes.

Each of the groups included a union representative, a health and safety representative, an HR representative and a member of the Executive Board as chair. All the groups completed their work by recommending to the Executive Board selected measures that can help to make KMD a better place to work. A total of 10 concrete measures were selected for further attention within the areas: Cutting-edge technology, Prioritizing competency development and Visible leadership.

In combination with a campaign focusing on KMD's overall contribution to Danish society, these measures succeeded in raising the general level of employee satisfaction from 80% to 84%, with the sense of pride in KMD's contribution to Danish society increasing from 80% to 88%.

In connection with the collaboration with Lektier Online (see Digital welfare), KMD set up a scheme that makes it possible for employees to record the time they spend on projects such as Lektier Online as working hours. In this way, KMD allows employees to swap their working hours for hours spent as volunteer homework helpers, for example. The scheme is restricted to selected projects with a corporate social responsibility aspect chosen by KMD's CSR Board.

HEALTHY EMPLOYEES

In 2012 KMD carried out a workplace assessment; this did not reveal any major problems in terms of either the physical or psychological working environment.
Fewer than 1% of KMD's employees designated the psychological working environment as very unsatisfactory. Follow-up of the individual employees concerned was carried out and efforts made to resolve the respective issues.

Where the physical working environment is concerned, the workplace assessment revealed, among other things, particular problems in relation to neck tension and other ergonomic challenges. Efforts will be made to address this in 2013 by means of a special scheme involving on-site physiotherapists with whom employees can book an appointment for advice and guidance on working posture.

There has also been a particular focus in 2012 on promoting the company's health scheme. This has led to an increase in use from 30% of the sum assigned in 2011 to 75% in 2012, thus nipping several potential health problems in the bud.

In 2012 average sickness absence at KMD was 6.01 days – 11% below the national average for private companies. This is on par with 2011 (6.0) and is something that KMD will work to maintain in 2013.

In 2011 KMD became the main sponsor for the triathlon events KMD Challenge Copenhagen and KMD Challenge Aarhus, and a KMD 4:18:4 triathlon was also introduced, covering one-tenth of the full Ironman distances of a 3.8 km swim, 180 km bike ride and a marathon. In 2012 organized training was initiated at KMD's sites, and more than 400 KMD employees took part in the summer 4:18:4 and KMD Challenge. A total of 830 KMD employees also took part in the DHL relay race.

DIVERSITY

In 2012 KMD carried out a baseline analysis of KMD's performance within the classic diversity parameters. This analysis will be translated into concrete policy and strategy in the area in 2013, and in this way KMD will strive to ensure that the best talents among potential employees on the Danish labor market choose KMD, irrespective of their gender, ethnicity, age, religion or sexual orientation.

In 2012 KMD continued its partnership with the Specialist People Foundation, which employs and trains young people with autism spectrum disorders. Among other things KMD has employed young people from the Foundation for tasks such as migrating electronic HR records and in this connection also took on four trainees from the Foundation for work ability testing.

KMD considers the overall CSR work relating to Employees to be satisfactory.

GOALS FOR 2013

PRIDE

In 2013 KMD will continue to allow employees to swap working hours for voluntary work on selected projects with a CSR aspect. KMD's goal is to spend at least 2,000 hours on such projects in 2013.

DIVERSITY

By the end of 2013 KMD will establish a diversity policy and associated initiatives.

HEALTHY EMPLOYEES

KMD will maintain the focus on a healthy workplace based on its already successful sports clubs. Special training teams for employees wanting to participate in KMD 4:18:4 or KMD Challenge will continue across the company.

In 2013 KMD will introduce a scheme to enable individual employees to get onsite instruction from a physiotherapist in connection with work-related physical problems.

KMD will introduce a keyhole scheme to ensure compliance with the requirements of KMD's healthy eating policy, providing employees with a lunch primarily based on high-quality ingredients (ideally organic), to promote the consumption of fruit, vegetables and fish, and reduce the intake of fat, salt and sugar.

CLIMATE & ENVIRONMENT

RESULTS ACHIEVED

In 2012 KMD adopted a new environmental policy and strategy comprising new targets intended to further KMD's ambitious approach to its work on climate and the environment. Going forward, KMD will concentrate on making its energy consumption as efficient as possible. In addition, KMD will focus on recycling more of its waste – both paper and electronic waste. At the same time we will reap the rewards of a structured approach to environmental efforts in KMD and take the next step toward ISO 14001 certification in 2013.

Since the initial targets for energy efficiency improvements were set in 2009, KMD has managed to find energy savings equivalent to an overall saving of 18.5% of our total energy consumption in 2008 (target 17%).

KMD has also been CO_2-neutral since 2009, when KMD entered into a Climate partnership with DONG Energy to purchase electricity from the Horns Rev 2 offshore wind farm corresponding to the Group's total direct energy consumption.

CO_2 EMISSIONS

In 2012 KMD achieved energy savings totaling 883,047 kWh. This means that since 2008 KMD has achieved overall energy-savings of 6,910,074 kWh – equivalent to the annual consumption of more than 1,000 detached houses. This corresponds to 18.5% of the total energy consumption in 2008, and means KMD has achieved its overall target (17%) for energy savings set in 2010.

The energy savings are complemented by the purchase of electricity from offshore wind farms corresponding to KMD's total direct energy consumption, plus CO_2 quotas equivalent to KMD's total emissions from heating consumption. The purchase of electricity is part of KMD's Climate partnership with DONG Energy, in which DONG Energy has also undertaken to help to identify and verify energy-saving projects in KMD.

Despite the many energy-saving projects, KMD's total electricity consumption has risen by 253,320 kWh, an increase of just under 0.8% compared with 2011. This can be attributed to some degree to the growth in KMD's outsourcing business and the resulting 10% increase in capacity in the data centers. KMD has also added another office building at the head office in Ballerup following the acquisition of Rambøll Informatik in 2011.

Part of the explanation for the relatively small increase can be found in an employee-directed campaign carried out by KMD in 2012. This focused on making visible the energy consumption per employee in KMD's office buildings across Denmark. Employees were able to use klima.kmd.dk and a smartphone app, KMD Klima [climate], to follow the consumption and get useful tips on reducing their personal consumption. This has contributed to a drop of more than 30 kWh in average energy consumption per employee in the office buildings, which is very satisfactory.

KMD's total CO_2 emissions fell in 2012, continuing the trend from 2011. Whereas the decrease in 2011 was attributed to KMD's switch to district heating that year, the decrease in 2012 can be attributed to the fact that the equivalent used to convert kWh to CO_2 in relation to electricity consumption is less CO_2-heavy than previously, as the overall electricity mix in Denmark has become more environmentally friendly. However, the long, cold winter of 2012 meant an increase in heating consumption of just over 844 MWh. This means that total CO_2 emissions ended the year at 13,026 tons – a fall of 12.6% compared with 2011. This is compensated, as mentioned previously, through the purchase of REC certificates and CO_2 quotas.

KMD expects a slight increase in total energy consumption in 2013, primarily as a result of a continued increase in the customer base for outsourcing and hosting agreements.

In terms of CO_2 emissions from transport, KMD had a target of reducing the carbon footprint from transport by 10% in 2012 from a 2010 baseline. This target was not achieved. KMD's emissions from transport fell by only 1.82% in the period.

This relatively small decrease can largely be attributed to increased transport between KMD sites, which is why in 2013 and 2014 there will be a special focus on cutting transport between KMD's own sites with a target of reducing this by 10% by the end of 2014.

One of the methods employed will be making greater use of electric cars – both for transport between sites and for transport to customers. To this end KMD has purchased three electric cars from Better Place that use replaceable batteries and charging at stands. The cars are located in Ballerup, where there are the most customers within a reachable radius as well as the possibility of reaching the sites in both Herlev and Odense without changing battery too many times. In addition, KMD will make increasing use of video-conferencing, unified communications solutions and car-pooling to reduce the total burden from transport.

KMD's total CO_2 emissions from transport in 2012 were 2,921.5 tons against 2,975 tons in 2011.

WASTE

Another area of focus for KMD in 2012 was print consumption in the office buildings. In total, each year KMD prints more than 13 million pages, 3 million of which are "cover pages" that are printed to enable employees to find their own printouts among all the others in the communal print rooms. This practice was reduced in 2012 with the introduction of "follow-me printing," which requires employees to scan their ID card in order to print and thus does not generate cover pages.

ENVIRONMENTAL MANAGEMENT

In 2012 KMD carried out a satisfactory preliminary audit in relation to introduction of the environmental management system ISO 14001.

KMD considers the overall results relating to environmental efforts to be satisfactory.

GOALS FOR 2013

CO_2 EMISSIONS

In 2013 KMD will continue to focus on finding energy savings in both data centers and office areas, but expects a slight increase in energy consumption as a result of an ever-increasing customer base.

In 2013 KMD will continue to focus on reducing employees' transport between sites. KMD expects to be able to reduce the Company's carbon footprint from transport by 10% by the end of 2014. Further steps will be needed to achieve this, which is why in 2013 KMD will implement a series of new measures focusing on a more climate-friendly meeting culture in the company. As well as introducing electric cars, steps will be taken to increase opportunities for car-pooling, and there will also be a focus on increased use of video communication between KMD's sites and use of unified communications, which will reduce the need for physical meetings and hence transport.

In addition, KMD will continue to offer employees "commuter cards" to reduce the price of public transport, as well as offering electric cars on particularly attractive terms and setting up a special bicycle-servicing facility for employees.

WASTE

In addition, there will be a continued focus in 2013 on KMD's print consumption in office buildings. The breakthrough of "follow-me printing" will be followed up by campaigns directly targeting employees and their print consumption. KMD's target is to increase the total proportion of waste recycled by 5% by the end of 2014.

ENVIRONMENTAL MANAGEMENT

KMD will implement ISO 14001 certification in 2013. This will enhance the quality of KMD's data in the environmental area, and reassure our customers and partners of KMD's continued commitment in relation to climate and the environment.

SUPPLY CHAIN

RESULTS ACHIEVED

Signing the UN Global Compact committed KMD to 10 fundamental principles relating to protection of human and labor rights, climate and environmental considerations, and anticorruption measures. This provides KMD with a concrete framework for the requirements the company makes of itself and its suppliers. At the same time, KMD wants to keep tight control of its own processes to ensure that the company complies with relevant legislation and its commitments under the UN Global Compact, and makes requirements of its own suppliers that support these commitments.

PARTNERSHIPS

In 2012 KMD introduced a new code of conduct for suppliers based on the 10 principles of the UN Global Compact. This will be introduced for all KMD's suppliers and must be signed when concluding contracts between KMD and the supplier. The code of conduct is intended to send out a clear signal that breaches of the principles of the UN Global Compact will not be tolerated. The code of conduct is also the starting point for dialogue, which KMD will use to achieve the overall goal of supply chain management, namely for all KMD's key suppliers to be working with the principles of the UN Global Compact by the end of 2015.

KMD also had a goal of developing a concept for suppliers on the take-back of electronic hardware, but this was postponed until 2013 as a result of implementation of the key supplier management concept.

CORPORATE COMPLIANCE

2012 was the first full year of implementation of KMD's ethical code, which sets clear guidelines for employees' conduct in the seven focus areas covered by its corporate compliance program: anticorruption, information security, competition law, contractual risk management, intellectual property rights, authorizations and document management/storage. The corporate compliance program is being rolled out to existing and new employees by means of a compulsory e-learning course. Additionally, a corporate compliance subsite has been created on the company's intranet.

KMD also introduced a whistleblower scheme, after the Danish Data Protection Agency finally authorized KMD's application in April 2012. The whistleblower scheme makes it possible for KMD's employees, including the Executive Board and the Board of Directors, to report irregularities in any of the seven aforementioned focus areas either to KMD's own corporate compliance team or to an independent external lawyer. Two matters were reported to the whistleblower scheme in 2012.

KMD considers the overall CSR work relating to supply chain to be satisfactory.

GOALS FOR 2013

PARTNERSHIPS

In 2013 KMD's code of conduct for suppliers based on the 10 principles of the UN Global Compact will be rolled out to key suppliers.

In addition, KMD will work to establish partnerships with suppliers, for example on take-back of electronic hardware.

CORPORATE COMPLIANCE

KMD will continue the implementation of KMD's ethical code, including policies and processes for each of the seven focus areas, for new employees and maintain the focus on the Company's corporate compliance program.

Make friends with your computer

In 2012 KMD joined forces with Ældre Sagen to launch a new e-learning program that will support the organization’s work to teach senior citizens to use IT. The program has been developed in a collaboration between KMD and Ældre Sagen, with KMD having overall responsibility for the development, while Ældre Sagen was responsible for identifying the topics senior citizens should be taught.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY FINANCIAL STATEMENTS

STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million

Note		2012	2011
4	Revenue	4,698.7	4,266.3
5	Other external expenses	1,832.1	1,646.7
6	Staff costs	2,155.2	2,050.4
	Other operating income	19.8	7.9
	Earnings before interest, tax, depreciation and amortization (EBITDA)	**731.2**	**577.1**
8,9	Depreciation and amortization	139.3	135.6
	Operating profit (EBIT)	**591.9**	**441.5**
7	Financial income	18.4	6.7
7	Financial expenses	7.9	17.2
	Earnings before tax (EBT)	**602.4**	**431.0**
15	Tax on profit for the year	154.1	108.4
	Net profit for the year	**448.3**	**322.6**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note		2012	2011
	Net profit for the year	**448.3**	**322.6**
	Other comprehensive income		
	Value adjustments of hedging transactions before tax	1.6	3.3
	Value adjustments of hedging transactions included in financial items	0.0	0.1
	Foreign currency translation adjustment of foreign enterprises	0.3	0.0
	Tax on comprehensive income	-0.4	-0.8
	Other comprehensive income after tax	1.5	2.6
	Comprehensive income	**449.8**	**325.2**
	Attributable to:		
	Shareholders in the Parent Company	449.8	325.2
	Total	**449.8**	**325.2**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million

Note		2012	2011
	NON-CURRENT ASSETS		
	Customer relationships	43.8	54.8
	Rights	8.1	12.7
	Goodwill	138.5	124.9
	Completed development projects	32.8	38.0
	Development projects in progress	620.9	499.7
8	**Intangible assets**	**844.1**	**730.1**
	Land and buildings	95.1	103.2
	Leasehold improvements	40.1	41.3
	Plant and machinery	189.4	212.0
	Fixtures, operating equipment and vehicles	14.1	21.7
9	**Property, plant and equipment**	**338.7**	**378.2**
10	Deposits	43.8	44.6
15	Deferred tax asset	0.5	1.8
	Other non-current assets	**44.3**	**46.4**
	Total non-current assets	**1,227.1**	**1,154.7**
	CURRENT ASSETS		
11	Inventories	9.3	8.5
18	Trade receivables	942.2	714.9
12	Contract work in progress	62.6	67.5
	Other receivables	26.7	39.8
	Corporation tax receivable	2.1	2.0
13	Prepayments	98.9	97.1
	Securities	1.5	2.2
	Cash	211.2	115.6
	Total current assets	**1,354.5**	**1,047.6**
	Total assets	**2,581.6**	**2,202.3**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK million

Note		2012	2011
	EQUITY		
14	Share capital	240.0	240.0
	Hedging reserve	0.0	-1.2
	Reserve for foreign currency translation adjustments	0.6	0.3
	Retained earnings	728.6	460.3
	Proposed dividend	0.0	0.0
	Total equity	**969.2**	**699.4**
	LIABILITIES		
15	Provision for deferred tax	91.4	61.0
16	Provisions	22.0	45.7
18	Credit institutions	0.0	118.9
	Non-current liabilities	**113.4**	**225.6**
18	Credit institutions	0.0	32.6
	Prepayments from customers	49.0	28.8
	Trade payables	519.4	413.0
	Payables to Group enterprises	122.4	16.8
17	Other payables	559.2	539.5
	Derivative financial instruments	0.0	1.5
	Corporation tax payable	5.3	8.3
16	Provisions	114.5	105.7
	Deferred income	129.2	131.1
	Current liabilities	**1,499.0**	**1,277.3**
	Total liabilities	**1,612.4**	**1,502.9**
	Total equity and liabilities	**2,581.6**	**2,202.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million

	Share capital	Hedging reserve	Reserve for foreign currency translation adjustments	Retained earnings	Proposed dividend	Total
Equity at 1 January 2011	240.0	-2.4	0.2	436.4	0.0	674.2
Comprehensive income for the year		2.5	0.1	322.6		325.2
Realized hedging transactions		-1.3		1.3		0.0
Extraordinary dividend				-300.0	300.0	0.0
Dividend paid					-300.0	-300.0
Equity at 31 December 2011	**240.0**	**-1.2**	**0.3**	**460.3**	**0.0**	**699.4**
Comprehensive income for the year		1.2	0.3	448.3		449.8
Extraordinary dividend				-180.0	180.0	0.0
Dividend paid					-180.0	-180.0
Balance at 31 December 2012	**240.0**	**0.0**	**0.6**	**728.6**	**0.0**	**969.2**

The reserve for foreign currency translation adjustments relates to translation adjustment of profit and net assets for Group enterprises with a functional currency other than the presentation currency.

The dividend paid in 2012 was DKK 0.75 per share against DKK 1.25 per share in 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million

Note		2012	2011
	Earnings before interest, tax, depreciation and amortization (EBITDA)	731.2	577.1
19	Adjustments of non-cash items	-6.4	-2.3
20	Change in working capital	-81.6	38.2
	Corporation tax paid	-121.3	-90.9
	Financial income	18.4	6.8
	Financial expenses	-4.8	-9.6
	Total cash flow from operating activities	**535.5**	**519.3**
8	Investments in intangible assets	-125.8	-146.6
9	Investments in property, plant and equipment	-85.7	-175.8
	Sale of property, plant and equipment	0.0	65.5
21	Investments in enterprises	0.0	-100.3
	Sale of securities	0.7	0.6
	Total cash flow from investing activities	**-210.8**	**-356.6**
	Repayments of loans	-154.7	-11.9
	Raising of loans, Group enterprises, net	105.6	0.0
	Dividend paid	-180.0	-300.0
	Total cash flow from financing activities	**-229.1**	**-311.9**
	Total cash flow	**95.6**	**-149.2**
	Cash and cash equivalents at 1 January	115.6	264.8
	Cash and cash equivalents at 31 December	**211.2**	**115.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OVERVIEW

NOTE 01_ACCOUNTING POLICIES

The annual report for KMD A/S is presented in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU at 31 December 2012 and the additional Danish disclosure requirements contained in the IFRS Order issued by the Danish Business Authority.

BASIS OF PREPARATION

The accounting figures have been prepared using the historical cost convention, except where IFRS explicitly requires use of other values.

CONSOLIDATION

The consolidated financial statements cover the Parent Company KMD A/S and subsidiaries in which the Parent Company directly or indirectly owns more than 50% of the voting rights or otherwise has control.

The consolidated financial statements have been prepared by combining the financial statements of the Parent Company and the subsidiaries by adding together items of a uniform nature. The financial statements used in the consolidated financial statements are presented in accordance with the Group's accounting policies.

Intercompany income, expenditure, shareholdings, dividends and balances are eliminated, as are realized and unrealized internal gains and losses on transactions between the consolidated enterprises. The subsidiaries' accounting items are recognized 100% in the consolidated financial statements.

Enterprises in which the Parent Company directly or indirectly owns between 20% and 50% of the voting rights or otherwise exercises significant influence are considered associates.

BUSINESS COMBINATIONS

Newly acquired or newly established subsidiaries are recognized from the time control is acquired over the acquired enterprise (acquisition date). The purchase method is applied to acquisition of subsidiaries.

The cost of acquisitions is calculated as the fair value of the assets given up, liabilities assumed and shares issued. The cost incorporates the fair value of any contingent considerations (earn-outs). Expenses in connection with the acquisition are charged to the income statement in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities (net assets) relating to the acquired enterprise are recognized at fair value on the acquisition date.

In connection with each acquisition, goodwill and a non-controlling interest (minority) are recognized in accordance with one of the following methods:

_ Goodwill related to the acquired enterprise is made up of any positive difference between the total fair value of the acquired enterprise and the fair value of the total net assets for accounting purposes. The non-controlling interest is recognized at the share of the acquired enterprise's total fair value (full goodwill).

_ Goodwill related to the acquired enterprise is made up of any positive difference between the purchase price and the fair value of the Group's share of the acquired enterprise's total net assets for accounting purposes at the acquisition date. The non-controlling interest is recognized at the proportionate share of the acquired net assets (proportionate goodwill).

Goodwill is recognized under intangible assets. Goodwill is not amortized but is assessed on an annual basis, or where there are indications of a decrease in value, in order to determine whether it has been subject to a decrease in value. If this is the case, it is written down to the asset's lower recoverable value.

Enterprises that are sold or wound up are recognized until the date of disposal. Any gain or loss relative to the carrying amount at the disposal date is taken to income at the time of sale where control of the subsidiary is also being relinquished.

The difference between cost and carrying amount of acquired non-controlling interests is recognized in equity. Profit or loss on sale to non-controlling interests is also recognized in equity.

Comparative figures are not restated for enterprises that are newly acquired, sold or wound up.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Danish kroner (DKK).

Transactions in foreign currencies are translated during the year at the rate prevailing on the transaction date. Gains and losses that arise between the rate on the transaction date and the payment date are recognized in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled on the balance sheet date are translated at the rate prevailing on the balance sheet date. The difference between the rate on the balance sheet date and the transaction date is recognized in the income statement under financial items.

Balance sheets of foreign subsidiaries with a functional currency other than DKK are translated at the rate prevailing on the balance sheet date. The subsidiaries' income statements and statements of cash flow are translated at average rates approximately equivalent to the rate prevailing on the transaction date. Foreign currency translation adjustments that arise on translation of foreign subsidiaries' equity at 1 January and foreign currency translation adjustments that arise as a result of the income statement being translated at an average exchange rate and the balance sheet being translated at the rate prevailing on the balance sheet date are recognized in the statement of comprehensive income.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial contracts considered to satisfy the conditions for recognition as cash flow hedges are termed 'effective,' while hedging instruments not considered to satisfy these conditions are termed 'ineffective.'

Changes in the fair value of effective derivative financial contracts are recognized in comprehensive income and accumulated as a reserve in equity under Hedging reserve.

Changes in the fair value of ineffective derivative financial contracts are recognized directly in the income statement under financial items.

Derivative financial instruments are recognized in the balance sheet at fair value on the trade date and subsequently measured at fair value. Positive and negative fair values of derivative financial contracts are included under Other receivables, and Derivative financial instruments respectively.

The fair value of derivative financial instruments is calculated using standard valuation methods for such contracts based on observable market data. The fair value of interest-rate hedging contracts is calculated as the present value of expected future cash flows.

For both effective and ineffective derivative financial instruments, the part of the fair value adjustment that can be attributed to time value is always recognized directly in the income statements.

All fair values are based on prices calculated at market value or using standard pricing models.

INCOME STATEMENT

REVENUE

Income from the sale of services is recognized when the service is provided.

Income from the disposal of goods for resale is included in revenue at the time of delivery and risk transfer where the income is considered reliable. Revenue is stated net of VAT, charges and discounts.

Income from consultancy services is taken to income as the work is performed, with the revenue corresponding to the selling price of the work performed for the year.

License and royalty income is recognized at the time of delivery.

OTHER EXTERNAL EXPENSES

Other external expenses include accounting items incurred to achieve the revenue for the year, including cost of sales in connection with the disposal of goods for resale, and other external expenses for distribution, sales, advertising, administration, premises, bad debts, operating lease payments, etc.

OTHER OPERATING INCOME AND EXPENSES

Gains and losses in connection with disposal of non-current assets are recognized under other operating income or other operating expenses.

STAFF COSTS

Staff costs cover wages, salaries and pensions to the Group's staff and other staff costs.

SHARE-BASED PAYMENT

Share options are measured at the fair value of the granted share options at the grant date minus any amount paid by the employees. If the fair value exceeds the amount paid by the employees, the excess amount is considered as payment for services received from employees. The excess amount is therefore recognized in the income statement under staff costs over the period in which the final entitlement to the options is earned. The set-off is recognized directly in equity in the case of equity-settled schemes.

FINANCIAL ITEMS

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial items cover interest income and expenses, share dividends, financial expenses in connection with finance leases, realized and unrealized exchange gains and losses relating to securities and transactions in foreign currencies, amortization of exchange losses, and borrowing costs. Borrowing costs that can be attributed directly to purchase, construction or production of a qualifying asset are included as part of the cost of the asset. A qualifying asset is an asset which it necessarily takes a significant period to make ready for its intended use or sale.

TAX

Tax on the profit for the year comprises current tax and deferred tax for the year, the effect on deferred tax of changes in tax rates, and prior year adjustments. The part of tax for the year that can be attributed to entries made directly in the statement of comprehensive income is recognized directly therein.

Current tax is calculated at the tax rate applicable for the year. Deferred tax is calculated on the basis of the tax rules and tax rates in the respective countries that will be applicable by law on the balance sheet date where the deferred tax is expected to give rise to current tax.

BALANCE SHEET

INTANGIBLE ASSETS

Goodwill is recognized at cost minus any accumulated impairment losses.

Goodwill is tested for impairment each year if there are indications of a decrease in value. The impairment test is carried out for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or business area to which the goodwill relates (recoverable value) where this is lower than the carrying amount.

Intangible assets also include acquired intellectual property rights and development projects that meet the criteria for capitalization.

Customer-related assets are measured at cost less accumulated amortization and impairment losses based on the expected consumption pattern for future economic benefits. Development projects that are clearly defined and identifiable, where the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where the intention is to manufacture, market or use the product or process, are recognized as intangible assets where there is sufficient assurance that future earnings will cover the costs of production, sales and administrative expenses, and total development costs. Other development costs are recognized as expenses in the income statement as they are incurred.

Development costs are calculated as directly incurred expenses plus a proportion of other expenses that can indirectly be attributed to the individual development projects.

Amortization of intangible assets excl. goodwill is carried out on a straight-line basis over a period of up to 20 years based on experience of the period of use.

The useful life of the assets is assessed and adjusted if necessary on each balance sheet date. The main amortization periods are:

AMORTIZATION PERIOD

Acquired software rights	3-5 years
Development projects	5-15 years
Customer relationships	10-15 years
Other rights	3-20 years

Acquired intellectual property rights and completed development projects are tested for impairment where there are indications of a decrease in value. Development projects in progress are also subject to an annual impairment test. The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the asset’s or the asset group’s value in use or net selling price (recoverable value) where this is lower than the carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes land and buildings, plant and machinery, and fixtures, operating equipment and vehicles. Property, plant and equipment is measured at cost plus any revaluations and minus any accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the individual assets. The main depreciation periods are:

DEPRECIATION PERIOD

Land and buildings	50 years
Leasehold improvements	10-30 years
Major installations	10 years
Plant and machinery	2-5 years
Fixtures, operating equipment and vehicles	2-5 years

Assets held under finance leases are measured at the lower of the fair value pursuant to the lease and the present value of the lease payments, calculated on the basis of the internal interest on the lease minus any accumulated depreciation and impairment losses. Property, plant and equipment is tested for impairment where there are indications of a decrease in value. The impairment test is carried out for each individual asset or group of assets. The assets are written down to the higher of the value in use and the net selling price (recoverable value) of the asset or group of assets where this is lower than the carrying amount.

INVESTMENTS

Equity investments in associates are measured using the equity method and recognized in the income statement at the proportionate share of the equity owned in the enterprises calculated in accordance with the Group's accounting policies, plus goodwill. In the balance sheet equity investments in associates are recognized at the proportionate share of the equity owned in the enterprises calculated in accordance with the Group's accounting policies, plus goodwill. Associates with negative equity are measured at 0, and any receivables from these enterprises are written down where an individual assessment shows this to be necessary. Where there is a legal or constructive obligation to cover the associate's negative value, a liability is recognized for this.

INVENTORIES

Inventories are recognized at cost calculated on the basis of average cost. Where the cost exceeds the expected selling price minus costs of completion and sale, inventories are written down to the lower net realizable value.

RECEIVABLES

Receivables and loans cover receivables that have arisen in connection with sales. Such receivables are classified as current with the exception of the part falling due more than 12 months from the balance sheet date. The amounts are included in the items Trade receivables and Other receivables.

Receivables are recognized in the balance sheet at fair value and subsequently measured at amortized cost. In the case of current non-interest-bearing receivables and receivables at variable rates of interest, this will usually correspond to nominal value.

On each balance sheet date the Company assesses whether there are circumstances indicating that significant individual receivables have been subject to a decrease in value. This is assessed on the basis of an age criterion and objective indications of financial problems on the part of debtors. If it is assessed that the receivable will not be paid in full, amortized cost is calculated on the basis of these expected lower payments. It is further assessed whether groups of receivables that are not significant receivables individually have been subject to a decrease in value. These receivables are then written down by group on the basis of the Group's past experiences.

CONSULTANCY SERVICES IN PROGRESS

Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of the direct and indirect expenses incurred in relation to the expected total expenses.

The value of the individual items of work in progress minus invoicing on account is classified as receivables where the amounts are positive and as payables where the amounts are negative.

Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

PREPAYMENTS (ASSET)

Prepayments recognized under assets include prepaid expenses relating to subsequent financial years and are measured at amortized cost.

EQUITY

Dividends are recognized as a liability at the date of adoption by the general meeting.

PROVISIONS

Provisions are recognized where, as a result of an event that has occurred before or on the balance sheet date, the Group has a legal or constructive obligation and it is likely that an outflow of funds will be required to settle the liability.

CORPORATION TAX

Current tax liabilities are recognized in the balance sheet as tax calculated on the expected taxable income for the year, adjusted for tax on taxable income in previous years and taxes paid on account.

Provision for deferred tax is calculated at 25% on all temporary differences between carrying amount and tax base.

Deferred tax assets are recognized at the value that is expected to be utilized, either by elimination in tax on future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity and jurisdiction.

LEASE COMMITMENTS

Finance lease commitments are measured at the present value of the remaining lease payments, including any guaranteed residual value based on the internal rate of interest on the individual leases.

FINANCIAL LIABILITIES

Financial liabilities are recognized at the time of borrowing at the proceeds received minus transaction costs incurred, and subsequently measured at amortized cost calculated on the basis of the effective rate of interest on the borrowing date.

DEFERRED INCOME (LIABILITY)

Deferred income recognized under liabilities includes payments received relating to income in subsequent years and is measured at amortized cost.

STATEMENT OF CASH FLOWS

The statement of cash flows shows the enterprise’s cash flows for the year, change in cash and cash equivalents for the year, and the enterprise’s cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is shown using the indirect method and is calculated as the net profit for the year adjusted for non-cash operating items, change in working capital, financial items paid, and corporation tax paid.

Cash flow from investing activities includes payments in connection with purchase and sale of non-current assets, securities attributed to investing activities, and dividends received from subsidiaries and associates.

Cash flow from financing activities includes dividend payments to shareholders, capital increases and reductions, plus the raising of loans and repayments of interest-bearing debt.

Cash and cash equivalents includes cash at bank and in hand, and highly liquid securities with an insignificant risk of changes in value.

NOTE 02_SIGNIFICANT ACCOUNTING ASSESSMENTS AND ESTIMATES

ACCOUNTING ESTIMATES
On acquisition of enterprises the Company's management assesses whether, for accounting purposes, it is acquiring an enterprise or individual assets and liabilities. The assessment is based on whether the acquired enterprise constitutes integrated activities or assets.

ESTIMATION UNCERTAINTIES
Calculation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions on future events. The estimates made are based on historical experiences and other factors that the management considers appropriate in the circumstances, but which by their very nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Moreover, the enterprise is subject to risks and uncertainties that may result in actual results differing from these estimates. It may be necessary to change estimates made previously as a result of changes in the circumstances that formed the basis of the previous estimates or on the basis of new knowledge or subsequent events.

IMPAIRMENT OF ASSETS
GOODWILL
In performing the annual impairment test, an estimate is made as to whether the individual units of the enterprise (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other necessary investments. The estimate of future net cash flows is based on budgets and business plans for the coming year and projections for subsequent years. Key parameters are revenue development, profit margin, investments in net working capital and growth expectations for the years ahead. Budgets and business plans for the year ahead are based on concrete future business measures, with risks in the key parameters being assessed and recognized in the future expected cash flows. Projections beyond this first year are based on general expectations and risks. The discount rates used to calculate the recoverable value are before tax and reflect the risk-free interest plus specific risks in the individual business areas. The cash flows used incorporate the effect of the future risks associated with this, which is why such risks are not incorporated in the discount rates used. See Note 8 for a description of the impairment test for intangible assets. The carrying amount of goodwill at 31 December 2012 is DKK 138.5 million (31 December 2011: DKK 124.9 million).

DEVELOPMENT COSTS
Completed development projects are reviewed annually for indications of impairment. Where indications of impairment are identified, an impairment test is carried out for the individual development projects.

The carrying amount of completed development projects at 31 December 2012 is DKK 32.8 million (31 December 2011: DKK 38.0 million).

In the case of development projects in progress, an actual impairment test is carried out each year. The impairment test is based on various factors, including future use of the projects, the present value of expected future earnings, plus other risks.

For KMD the measurement of development projects in progress could be significantly impacted by material changes in estimates and assumptions underlying the calculated values.

The carrying amount of development projects in progress after write-down at 31 December 2012 is DKK 620.9 million (31 December 2011: DKK 499.7 million).

CONSULTANCY SERVICES IN PROGRESS
Consultancy services in progress are measured at the selling price of the work performed. The stage of completion is calculated on the basis of the direct and indirect expenses incurred in relation to the expected total expenses. Provision is made for expected losses on work in progress based on an individual assessment of the loss until completion of the work.

The carrying amount of consultancy services in progress at 31 December 2012 is DKK 62.6 million (31 December 2011: DKK 67.5 million).

NOTE 03_NEW FINANCIAL REPORTING STANDARDS

KMD A/S has implemented the international financial reporting standards, and amendments to these, and the interpretations that have been endorsed by the IASB and the EU and entered into force in the 2012 financial year. The amendments to IFRS 7 (Financial Instruments) are relevant to KMD A/S.

The accounting policies for KMD A/S, including presentation, are unchanged from last year.

MOST RECENTLY ADOPTED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

As at the end of January 2013, IASB has issued the following new international financial reporting standards and interpretations considered relevant to KMD A/S.

_ IFRS 9 (Financial Instruments) – The number of categories of financial assets is reduced to two: amortized cost and fair value.

_ IFRS 10 (Consolidated Financial Statements) – Clarification of the definition of control over another enterprise. Control exists when the following criteria are fulfilled:
_ Control of the company
_ Risk associated with or entitlement to variable returns
_ Ability to exercise control of the company to influence returns

_ IFRS 11 – Joint arrangements assume agreement between the parties and cover two types: joint operations and joint ventures. Joint operations give the parties direct access to the assets and make them directly responsible for the liabilities. Each party in a joint operation recognizes its share of assets, liabilities, revenue and expenses. In joint ventures the participants do not have a direct share in assets and liabilities, etc., but only a share of the net profit and equity. Each party in a joint venture recognizes its share under the equity method, cf. IAS 28.

_ IFRS 12 – Disclosure requirements concerning equity interests in other entities, including subsidiaries, joint operations, joint ventures and associates.

_ Amendment to IFRS 10, 11 and 12 – Clarification of implementation (entry into force provisions).

_ IFRS 13 (Fair Value Measurement) – General standard laying down principles for measuring fair value.

_ IFRS 7 and IAS 32 (Financial Instruments: Presentation) – The amendment provides further guidance on offsetting and disclosure thereof,

_ Amendment to IAS 1 (Presentation of Financial Statements) – The amendment concerns requirements for presentation of items in other comprehensive income that will be recycled to the income statement separate from items that will not be recycled.

_ Amendment to IAS 27 (Consolidated and Separate Financial Statements) – The consolidation rules are replaced by IFRS 10 and the standard subsequently contains the rules governing parent company financial statements from the current IAS 27.

_ Amendment to IAS 28 (Investments in Associates) – Joint arrangements classified as joint ventures pursuant to IFRS 11 and recognized in accordance with the equity method. SIC 13 Non-monetary contributions from venturers has been incorporated in the standard.

Annual minor improvements to current IFRSs covering:

_ IAS 1, clarification of comparative data when presenting three-year balance sheets.

_ IAS 16, replacement parts used for servicing land, buildings, ships and equipment must not be capitalized as inventory but as land, buildings and equipment, if they fulfill the definition for this.

_ IAS 32, clarification concerning tax in the income statement and statement of changes in equity respectively.

_ IAS 34, clarification concerning assets in segment information in interim financial statements.

None of the above standards are currently expected to have a material impact on KMD, but this will be monitored on an ongoing basis.

The other standards and interpretations issued by IASB but not relevant to KMD A/S include IFRS 1, IAS 19 and IFRIC 20. The listed standards have been endorsed by the EU, with the exception of IFRS 9, amendments to IFRS 10, 11 and 12 concerning entry into force provisions, and annual minor improvements to current IFRSs.

KMD A/S expects to implement the new standards and interpretations when their application becomes mandatory.

NOTE 04_REVENUE

DKK million	**2012**	**2011**
Sale of goods	179.1	115.0
Sale of services	4,519.6	4,151.3
Total	**4,698.7**	**4,266.3**

NOTE 05_AUDIT FEE

DKK million

	2012	**2011**
Fee to the Company’s auditors		
PricewaterhouseCoopers		
Statutory audit fee	0.8	0.6
Other assurance engagements	2.4	1.5
Tax advisory services	1.1	0.6
Other services	4.9	5.1
Total	**9.2**	**7.8**

NOTE 06_STAFF COSTS

DKK million	2012	2011
Wages and salaries	1,963.2	1,867.2
Pensions	176.5	173.0
Other social security costs	15.5	10.2
Total	**2,155.2**	**2,050.4**
Board of Directors		
Remuneration	0.4	0.4
Total	**0.4**	**0.4**
Executive Board		
Salaries, etc.	10.6	9.9
Pensions	0.2	0.2
Total	**10.8**	**10.1**
Average number of employees	3,342	3,112

SHARE-BASED PAYMENT – SHARE OPTION PROGRAM
The previous share-based investment program for the Executive Board, some external members of the Board of Directors and a number of senior employees in KMD A/S was closed in connection with EQT's sale of the Group to certain funds managed by Advent International Corporation. All shares and share options were bought back from participants in the program in connection with the sale.

Share options in KMD Equity Holding A/S are specified in the table below.

SHARE OPTIONS	**Total**
Outstanding at 1 January 2011	**2,245,925**
Granted during the year	10,799
Terminations	-293,249
Exercised	0
Outstanding at 31 December 2011	**1,963,475**
Granted during the year	0
Terminations	-25,399
Exercised at 20 December 2012	-1,938,076
Outstanding at 31 December 2012	**0**

A new share investment program was established on 20 December 2012 for the Executive Board and a number of senior employees. Investment is by means of endorsing the purchase of B and C shares respectively in AI Keyemde ApS made by two limited partnerships. The share purchase comprises 3.86% of the share capital in AI Keyemde ApS.

The holders of the shares have only limited voting rights and are only entitled to sell the shares to third parties in connection with a stock exchange listing or the sale of AI Keyemde ApS (exit event). If an employee covered by the program leaves his or her position before an exit event has occurred, the person is obliged to sell his or her shares at a price based on a predetermined fomula.

The investment of the Executive Board and senior employees in AI Keyemde ApS is specified in the table below.

SHARES	**B shares**	**C shares**
At 1 January 2012	**0**	**0**
Granted during the year	837,537	5,000
Terminations	0	0
Exercised	0	0
Expired	0	0
Outstanding at 31 December 2012	**837,537**	**5,000**

NOTE 07_FINANCIAL INCOME/EXPENSES

2011

DKK million	Interest	Foreign currency translation adjustments	Fair value-adjustments	Total
Income				
Loans and receivables	6.6			6.6
Financial liabilities measured at amortized cost		0.1		0.1
Total	**6.6**	**0.1**	**0.0**	**6.7**
Expenses				
Loans and receivables	9.6			9.6
Financial liabilities measured at amortized cost	7.6			7.6
Total	**17.2**	**0.0**	**0.0**	**17.2**

2012

DKK million	Interest	Foreign currency translation adjustments	Fair value-adjustments	Total
Income				
Loans and receivables	18.4			18.4
Financial liabilities measured at amortized cost	0.0			0.0
Total	**18.4**	**0.0**	**0.0**	**18.4**
Expenses				
Loans and receivables	4.8			4.8
Financial liabilities measured at amortized cost	3.1			3.1
Total	**7.9**	**0.0**	**0.0**	**7.9**

NOTE 08_INTANGIBLE ASSETS

2011

DKK million	Customer relation-ships	Rights	Goodwill	Develop-ment projects in progress	Completed develop-ment projects	Total
Cost at 1 January		33.4	15.7	371.5	28.4	449.0
Acquisitions	58.5	0.9	109.2		19.9	188.5
Additions during the year		12.5		128.2	5.9	146.6
Disposals during the year						0.0
Cost at 31 December	58.5	46.8	124.9	499.7	54.2	784.1
Amortization and impairment losses at 1 January		31.9			10.8	42.7
Acquisitions		0.1				0.1
Amortization for the year	3.7	2.1			5.4	11.2
Amortization and write-downs at 31 December	3.7	34.1	0.0	0.0	16.2	54.0
Carrying amount at 31 December	**54.8**	**12.7**	**124.9**	**499.7**	**38.0**	**730.1**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	0.4	0.1	0.5

2012

DKK million	Customer relation-ships	Rights	Goodwill	Develop-ment projects in progress	Completed develop-ment projects	Total
Cost at 1 January	58.5	46.8	124.9	499.7	54.2	784.1
Acquisitions			13.6			13.6
Additions during the year		0.6		121.2	4.0	125.8
Disposals during the year		-3.1			-1.3	-4.4
Cost at 31 December	58.5	44.3	138.5	620.9	56.9	919.1
Amortization and impairment losses at 1 January	3.7	34.1	0.0	0.0	16.2	54.0
Amortization for the year	11.0	4.8			9.2	25.0
Disposals		-2.7			-1.3	-4.0
Amortization and write-downs at 31 December	14.7	36.2	0.0	0.0	24.1	75.0
Carrying amount at 31 December	**43.8**	**8.1**	**138.5**	**620.9**	**32.8**	**844.1**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	2.4	0.2	2.6

The carrying amount of goodwill was DKK 138.5 million, against DKK 124.9 million in 2011. The key part of goodwill has arisen in connection with the acquisition of KMD Informatik A/S (previously Rambøll Informatik A/S) in 2011 and relates to the business areas Health Care, Projects and KMD Education.

The carrying amount of intangible assets excluding goodwill was DKK 705.6 million, against DKK 605.2 million in 2011, and relates primarily to software development.

Capitalized interest was DKK 2.6 million, against DKK 0.5 million in 2011.

IMPAIRMENT TEST FOR GOODWILL
AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill and other intangible assets is impairment-tested annually.

The impairment test for cash-generating units compares the recoverable value, calculated as the discounted value of expected future cash flows, with the carrying amount of the individual cash-generating units.

For all areas, the key parameters in the impairment test are revenue, EBITDA, funds tied up in working capital, growth assumptions and the discount rate.

Budgets and business plans for the next four years are based on KMD's known and expected events and risks in the key parameters, and are recognized in future expected cash flows.

The first year is based on the budget approved by management. Projections for years two and thereafter are based on general expectations of the market and risks.

For intangible assets with an indefinite useful life, the terminal value is determined taking into account general growth expectations. The growth in the terminal period is set at 2% p.a.

The discount rate of 9.8% applied in calculating the recoverable value in both 2012 and 2011 is calculated before tax and reflects the risk-free interest in the selected segments. The cash flows used incorporate the effect of future risks linked to this, which is why such risks are not added to the discount rates used.

The value in use is impacted mainly by changes in profit margin and discount rate.

DEVELOPMENT PROJECTS

At 31 December 2012 the management performed an impairment test on the carrying amount of development projects.

Recognized development projects in progress and completed development projects cover development of a new and improved SAP platform.

The projects are expected to provide competitive advantages and thereby a strengthening of the Group's market position. The value of the recognized development projects is compared with expected earnings from the products. The Company does not have any research costs. Development costs charged to the income statement in 2012 are DKK 161 million, against DKK 87 million in 2011.

The tests carried out in 2012 and 2011 did not indicate any impairment.

The management does not consider that likely changes in the underlying assumptions would result in the carrying amounts exceeding the recoverable value. The value is mainly affected by changes in EBITDA margin and discount rate.

GOODWILL
At 31 December 2012 the management performed an impairment test on the carrying amount of goodwill.

Goodwill in KMD relates to the following cash-generating units:

DKK million	**2012**	**2011**
Organisator	11.3	11.3
Health Care	44.0	37.6
KMD Education	47.5	40.7
Projects	21.1	18.1
KMD Printcenter	10.2	12.8
Civitas/Energi	4.4	4.4
Total	**138.5**	**124.9**

The impairment test was carried out in the fourth quarter of the 2012 financial year on the basis of the budgets and business plans approved by the Executive Board and Board of Directors and other information.

The tests carried out in 2012 and 2011 did not indicate any impairment.

The management does not consider that likely changes in the underlying assumptions would result in the carrying amounts exceeding the recoverable value. The value is mainly affected by changes in EBITDA margin and discount rate.

NOTE 09_PROPERTY, PLANT AND EQUIPMENT

2011

DKK million	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.9	25.6	522.9	142.6	835.0
Acquisitions		2.5	13.1	0.3	15.9
Additions during the year		17.1	151.1	7.6	175.8
Disposals during the year			-127.3	-2.0	-129.3
Cost at 31 December	143.9	45.2	559.8	148.5	897.4
Depreciation at 1 January	32.7	1.7	314.8	112.0	461.2
Depreciation for the year	8.4	1.8	97.7	16.5	124.4
Depreciation eliminated on disposal			-64.7	-1.7	-66.4
Transfers	-0.4	0.4			0.0
Depreciation at 31 December	40.7	3.9	347.8	126.8	519.2
Carrying amount at 31 December	**103.2**	**41.3**	**212.0**	**21.7**	**378.2**

2012

DKK million	Land and buildings	Leasehold improve-ments	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.9	45.2	559.8	148.5	897.4
Acquisitions			1.3		1.3
Additions during the year		4.7	76.6	4.4	85.7
Disposals during the year		-2.3	-10.5	-3.3	-16.1
Cost at 31 December	143.9	47.6	627.2	149.6	968.3
Depreciation at 1 January	40.7	3.9	347.8	126.8	519.2
Depreciation for the year	8.1	3.6	90.7	11.9	114.3
Depreciation eliminated on disposal				-3.2	-3.2
Transfers			-0.7		-0.7
Depreciation at 31 December	48.8	7.5	437.8	135.5	629.6
Carrying amount at 31 December	**95.1**	**40.1**	**189.4**	**14.1**	**338.7**

NOTE 10_DEPOSITS

DKK million	2012	2011
Cost at 1 January	44.6	41.9
Additions during the year	1.1	2.7
Disposals during the year	-1.9	0
Cost at 31 December	43.8	44.6
Carrying amount at 31 December	**43.8**	**44.6**

NOTE 11_INVENTORIES

DKK million	2012	2011
Hardware and software for resale	3.8	4.6
Raw materials and consumables	5.5	3.9
Total	**9.3**	**8.5**

Cost of goods sold charged to the income statement under other external expenses in 2012 was DKK 458 million against DKK 318 million in 2011.

Inventories expected to be sold after more than one year were DKK 2.0 million at 31 December 2012 against DKK 2.0 million in 2011.

Write-downs on inventories for the year were DKK 1 million in 2012 against DKK 3 million in 2011.

No write-downs were reversed in 2012 or 2011.

NOTE 12_CONTRACT WORK IN PROGRESS

DKK million	2012	2011
Work in progress at selling price	326.2	172.3
Work in progress invoiced on account	-263.6	-104.8
Work in progress, net	**62.6**	**67.5**
Recognized as follows:		
Work in progress (assets)	62.6	67.5
Work in progress (liabilities)	0.0	0.0
Revenue recognized via work in progress	388.8	346.5

Write-downs on work in progress were DKK 28 million against DKK 25 million in 2011.

NOTE 13_PREPAYMENTS

DKK million	2012	2011
Prepaid salaries	38.0	38.4
Other prepayments	60.9	58.7
Total	**98.9**	**97.1**

Other prepayments mainly include key prepayments relating to accrual of third-party software/maintenance subscriptions.

NOTE 14_SHARE CAPITAL

DKK million	2012	2011
The Parent Company's capital is made up as follows:		
One share class with 240,000 A shares of DKK 1,000	240.0	240.0
Total	**240.0**	**240.0**

The share capital has been unchanged at DKK 240.0 million for the last five financial years.

The Company's shares are registered by name and are not negotiable papers.

NOTE 15_TAX ON PROFIT FOR THE YEAR

DKK million	2012	2011
Current tax	114.2	97.8
Change in deferred tax	39.9	11.7
	154.1	109.5
Prior year adjustment	0.4	-1.9
Total	**154.5**	**107.6**
Made up as follows:		
Tax on profit for the year	154.1	108.4
Tax relating to other comprehensive income	0.4	-0.8
Total	**154.5**	**107.6**
Reconciliation of effective tax rate for the year		
Corporation tax rate in Denmark (%)	25.0	25.0
Other non-taxable income and non-deductible expenses	0.5	1.0
Prior year adjustment	0.1	-0.7
Effective tax rate for the year (%)	**25.6**	**25.3**

DEVELOPMENT IN DEFERRED TAX CAN BE SPECIFIED AS FOLLOWS:

DKK million	**2012**	**2011**
Balance at 1 January	61.0	47.8
Adjustment of deferred tax, 1 January	-8.2	1.5
Adjustments of tax assets	-1.3	0.0
Adjustment for the year	39.9	11.7
Balance at 31 December	**91.4**	**61.0**
Deferred tax is made up as follows:		
Intangible assets	175.4	148.5
Property, plant and equipment	-51.5	-48.8
Other liabilities	-5.5	-9.2
Non-current portion	**118.4**	**90.5**
Current assets	9.7	7.4
Other liabilities	-36.7	-36.9
Current portion	**-27.0**	**-29.5**
Carrying amount at 31 December	**91.4**	**61.0**

NOTE 16_PROVISIONS

DKK million	**2012**	**2011**
Provisions at 1 January	151.4	40.4
Additions during the year	87.3	137.7
Used during the year	-102.2	-26.7
Carrying amount at 31 December	**136.5**	**151.4**

Provisions mainly relate to expected expenses in connection with customer projects.

There is some uncertainty regarding the size of the actual amounts and the time they fall due. In the case of onerous contracts, the lack of certainty relates primarily to the number of hours that will be used to fulfill contracts, including fulfillment of service targets and interpretation of framework agreements, etc.

NOTE 17_OTHER CURRENT PAYABLES

DKK million	2012	2011
Holiday pay obligations	326.8	336.1
Other staff-related items	121.7	129.5
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	110.7	73.4
Other payables	0.0	0.5
Balance at 31 December	**559.2**	**539.5**

NOTE 18_FINANCIAL INSTRUMENTS, ETC.

THE GROUP'S RISK MANAGEMENT POLICY

The Group is not particularly exposed to financial risks as a result of its operations, investments and financing. The Group's revenue essentially comes from the local government market, which is less subject to cyclical impacts than the private market.

The Group's policy is not to speculate in financial risks. The Group follows a board-approved finance policy that operates with a low risk profile, such that interest rate and credit risks primarily arise from commercial matters.

CREDIT RISK

The Group is exposed to credit risks on receivables and bank deposits. The maximum credit risk is equivalent to the carrying amount. The credit risk on receivables is considered minimal as a result of KMD's customer segment.

The Group strives to spread bank deposits across several different banks with high credit ratings.

Outstanding receivables are followed up centrally on an ongoing basis in accordance with the Company's credit procedures. Credit ratings are carried out for major new customers outside the public sector.

Where there is uncertainty as to a customer's ability or willingness to pay a receivable, and the claim is judged to be risky, the receivable is written down.

TRADE RECEIVABLES

DKK million	2012	2011
Trade receivables	943.8	714.9
Write-downs	-1.6	0.0
Trade receivables, net	942.2	714.9
Receivables from Group enterprises	0.0	0.0
Total	**942.2**	**714.9**
Receivables past due that have been impaired	1.6	0.0
Receivables past due that have not been impaired can be specified as follows:		
Receivables past due, less than 6 months	58.1	84.1
Receivables past due, between 6 and 12 months	0.9	12.9
Receivables past due, more than 12 months	12.1	1.4
Total	**71.1**	**98.4**

NON-CURRENT RECEIVABLES

DKK million	2012	2011
Receivables due after 12 months	0.5	0.0

LIQUIDITY RISK

The required liquidity in the Group's entities is ensured on the basis of the Company's credit facilities and the liquidity generated by operations. The Group's liquidity management is the responsibility of the finance function, and entities in the Group are guaranteed access to liquidity via internal loans.

The maturity analysis is shown by category and class broken down by maturity period. Calculation of interest payments on liabilities at variable rates of interest is based on the rate prevailing on the balance sheet date.

The Group's loans are subject to specific loan conditions and can therefore only be canceled early on the lender's part in the event of breach of the covenants specified in the loan agreements.

Cash outflows are expected to be covered by the current excess liquidity and unutilized credits.

The calculation of fair value of hedging instruments is based on observable assumptions such as forward interest rates, etc. (Level 2 in the fair value hierarchy).

2011

DKK million	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carrying amount	Fair value
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap	1.5					1.5	1.5	1.5
Measured at amortized cost:								
Borrowings	37.0	104.7	24.7			166.4	151.5	151.5
Prepayments from customers	28.8					28.8	28.8	28.8
Trade payables	413.0					413.0	413.0	413.0
Other current liabilities	539.5					539.5	539.5	539.5
Financial liabilities	**1,019.8**	**104.7**	**24.7**	**0.0**	**0.0**	**1,149.2**	**1,134.3**	**1,134.3**
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap						0.0	0.0	0.0
Loans and receivables:								
Deposits					44.6	44.6	44.6	44.6
Trade receivables	714.9					714.9	714.9	714.9
Contract work in progress	67.5					67.5	67.5	67.5
Other receivables – current	39.8					39.8	39.8	39.8
Securities	0.1	0.2	0.2	2.6		3.1	2.2	2.2
Cash and cash equivalents	115.6					115.6	115.6	115.6
Financial assets	**937.9**	**0.2**	**0.2**	**2.6**	**44.6**	**985.5**	**984.6**	**984.6**
Net cash outflow	**81.9**	**104.5**	**24.5**	**-2.6**	**-44.6**	**163.7**	**149.7**	**149.7**

Unutilized credits were DKK 240 million.

2012

DKK million	< 1 yr	1-3 yrs	3-5 yrs	> 5 yrs	No agreed settle-ment	Total	Carrying amount	Fair value
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap	0.0					0.0	0.0	0.0
Measured at amortized cost:								
Borrowings	0.0					0.0	0.0	0.0
Prepayments from customers	49.0					49.0	49.0	49.0
Payables to Group enterprises					122.4	122.4	122.4	122.4
Trade payables	516.9					516.9	516.9	516.9
Other current liabilities	653.1					653.1	653.1	653.1
Financial liabilities	**1,219.0**	**0.0**	**0.0**	**0.0**	**122.4**	**1,341.4**	**1,341.4**	**1,341.4**
Measured at fair value via the income statement and hedging instruments:								
Interest rate swap						0.0	0.0	0.0
Loans and receivables:								
Deposits					43.8	43.8	43.8	43.8
Trade receivables	942.2					942.2	942.2	942.2
Contract work in progress	62.6					62.6	62.6	62.6
Other receivables – current	26.7					26.7	26.7	26.7
Securities	0.1	0.1	0.1	1.6		1.9	1.4	1.4
Cash and cash equivalents	211.2					211.2	211.2	211.2
Financial assets	**1,242.8**	**0.1**	**0.1**	**1.6**	**43.8**	**1,286.9**	**1,287.9**	**1,287.9**
Net cash outflow	**-23.8**	**-0.1**	**-0.1**	**-1.6**	**78.6**	**53**	**53.5**	**53.5**

Unutilized credits were DKK 250 million.

MARKET RISK
The Group's loans on the balance sheet date are exclusively to Group enterprises and are at variable rates of interest. The Group does not hedge loans to Group enterprises. The interest rate risk is, however, limited as a result of the Group's low financial gearing, which is why an increase of 1% in the market rate is solely estimated to have an earnings impact of DKK -1.2 million and to impact equity by DKK -0.9 million. The corresponding figures for 2011 were DKK -2.9 million and DKK -2.2 million respectively.

CURRENCY
The Group's currency policy is to allow subsidiaries to operate in their own currency wherever possible and for contracts with foreign suppliers primarily to be entered into in the Group enterprises' local currency or the euro.

In total, 99.4% of the Group's revenue in 2011 was earned in DKK, which is the same as 2011.

The Group's foreign enterprises are as such not significantly affected by currency fluctuations, as both income and expenses are denominated in local currencies.

CAPITAL MANAGEMENT
The Company's capital management is partly governed by the loan agreements entered into in the Group, which contain specifications for financial ratios. These financial ratios are impacted by the level of capital and operating income, such that a reduction in these would reduce them.

NOTE 19_ADJUSTMENT OF NON-CASH ITEMS

DKK million	2012	2011
Gain on disposal of non-current assets	-1.9	-2.9
Other adjustments	-4.5	0.6
Total adjustments	**-6.4**	**-2.3**

NOTE 20_CHANGES IN WORKING CAPITAL

DKK million	2012	2011
Change in inventories	-0.8	2.8
Change in receivables	-227.3	4.0
Change in contract work in progress	4.9	-53.7
Change in trade payables	106.4	66.1
Change in other items, net	35.2	19.0
Total change in working capital	**-81.6**	**38.2**

NOTE 21_INVESTMENTS IN ENTERPRISES

2012

There were no investments in 2012, but it should be noted that Organisator A/S was merged with the Parent Company on 1 January 2012.

The final determination of assets and liabilities relating to the Company’s acquisitions of Rambøll Informatik A/S and Itella Information A/S in 2011 is shown below.

2011

In 2011 KMD acquired all the shares in KMD Informatik A/S (formerly Rambøll Informatik A/S) and KMD Printcenter Hvidovre A/S (formerly Itella Information A/S).

At the end of 2011, KMD carried out a preliminary allocation of the purchase price to the acquired assets and liabilities associated with the acquisition of KMD Printcenter Hvidovre A/S and KMD Informatik A/S. Both purchase prices were finalized in 2012.

For KMD Informatik A/S, the measurement of net assets has been amended from DKK -17.1 million to DKK -29.6 million, primarily attributed to revaluation of a loss-making project recognized under Current payables. The final adjusted figure for goodwill is DKK 112.6 million.

For KMD Printcenter Hvidovre A/S, the measurement of net assets has been amended from DKK 8.2 million to DKK 0.7 million, primarily attributed to recognition of a tax asset of DKK 2.8 million and reassessment of the value of the Company’s property, plant and equipment resulting in a write-down totaling DKK 10.7 million. The final figure for goodwill is consequently DKK 10.2 million.

The measurements shown below of assets and liabilities on the acquisition dates represent the preliminary allocation recognized in 2011 and the final allocation of purchase prices recognized in 2012.

KMD INFORMATIK A/S

FAIR VALUE AT ACQUISITION DATE DKK million	Preliminary allocation recognized in 2011	Final allocation recognized in 2012
Property, plant and equipment	82.6	82.6
Inventories and receivables	39.0	42.6
Deferred liabilities, net	-2.0	3.6
Non-current payables	-0.2	-0.2
Current payables	-141.9	-162.7
Corporation tax payable, net	5.4	4.5
Acquired net assets	**-17.1**	**-29.6**
Goodwill	96.5	112.6
Acquisition cost	79.4	83.0
Cash and cash equivalents in acquired subsidiary	9.7	9.7
Net cash flow arising from acquisition	**89.1**	**92.7**

KMD PRINTCENTER HVIDOVRE A/S

FAIR VALUE AT ACQUISITION DATE DKK million	Preliminary allocation recognized in 2011	Final allocation recognized in 2012
Property, plant and equipment	12.5	1.3
Inventories and receivables	5.4	5.2
Deferred liabilities, net	0.0	0.0
Non-current payables	0.0	0.0
Current payables	-9.7	-8.6
Corporation tax payable, net	0.0	2.8
Acquired net assets	**8.2**	**0.7**
Goodwill	12.7	10.2
Acquisition cost	20.9	1.0
Cash and cash equivalents in acquired subsidiary	-9.7	0.8
Net cash flow arising from acquisition	**11.2**	**1.8**

KMD INFORMATIK A/S

The activities in KMD Informatik A/S (formerly Rambøll Informatik A/S) were acquired on 31 August 2011 and recognized in the financial statements from that date. The enterprise was merged with the Parent Company on 31 August 2011. KMD Informatik delivers services and welfare technology, mainly within care, health and education.

Revenue relating to KMD Informatik has been recognized in the consolidated income statement and statement of comprehensive income since the acquisition on 31 August 2011 and amounted to DKK 72.7 million in 2011. The integration process means that it is not possible to determine the impact on net profit for 2011. Similarly, it is not possible to determine revenue and earnings impact for KMD Informatik if the company had been owned for the entire 2011 accounting period. Goodwill mainly comprises intangible assets in the form of know-how, software and the existing workforce.

Transaction costs amounted to DKK 2.3 million and are recognized in other external expenses.

KMD PRINTCENTER HVIDOVRE A/S

The enterprise was acquired on 30 December 2011 and recognized from that date. There was as such no earnings effect from this acquisition in 2011. Among other things, KMD Printcenter Hvidovre A/S (formerly Itella Information A/S) provides print, mail, scanning and electronic archiving services, and so supports KMD's strong position in the print provider market.

If the enterprise had been owned for the entire 2011 accounting period, the recognized revenue and profit before tax would be DKK 37.0 million and DKK -4.2 million respectively.

Goodwill represents the value of the existing workforce and know-how.

Transaction costs amounted to DKK 0.9 million and are recognized in other external expenses.

The company was merged with the Parent Company on 1 January 2012.

NOTE 22_CONTINGENT ASSETS AND LIABILITIES

The Group have entered into leases and operating leases that are non-cancelable on the part of the Group beyond 1 year. The value of the total rental and lease commitments is as follows:

RENTAL COMMITMENTS

DKK million	2012	2011
Rental commitments due within 1 year	108.2	101.3
Rental commitments due within 2 to 5 years	407.7	388.6
Rental commitments due after 5 years	754.6	706.6
Total	**1,270.5**	**1,196.5**

Lease commitments relate primarily to the Group’s owner-occupied properties where contracts have been entered into that are non-cancelable until 1 January 2024.

LEASE COMMITMENTS

DKK million	2012	2011
Lease commitments due within 1 year	228.0	206.6
Lease commitments due within 2 to 5 years	563.8	399.9
Lease commitments due after 5 years	209.4	210.0
Total	**1,001.2**	**816.5**

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

OTHER LIABILITIES AND CONTINGENT LIABILITIES

The Group has particular obligations to employees employed on equivalent terms to public servants. The obligation relates to tideover allowances and compensation for temporary unemployment, etc. totaling DKK 3.2 million at 31 December 2012 if the employees in question were given notice on the balance sheet date. The Company has entered into an agreement with a supplier concerning purchase of property, plant and equipment in 2013 totaling DKK 76.7 million.

The Group is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, the management does not consider that they will have a material impact on the Company’s results or financial position.

The senior loan agreement is a loan facility comprising two loan facilities and a revolving credit facility. On 31 December 2012 KMD A/S's nominal debt in relation to the loan agreement was DKK 3,425 million.

The shares in KMD A/S and its subsidiaries have been pledged as security for the senior loan agreement.

Mortgages registered to the owner worth DKK 12.6 million have been pledged as security for the Company’s debts.

KMD has entered into an agreement with KL (Local Government Denmark) concerning adjustment of price development and service level in certain IT systems critical in relation to local governments’ administration of legislation in the welfare area.

NOTE 23_RELATED PARTIES

The Company's related parties are:	Domicile	Relationship	Ownership interest
AI Keyemde & Cy SCA	Luxembourg	Shareholder in AI Keyemde ApS	96.14%
AI Keyemde ApS	Ballerup	Shareholder in AI Keyemde 2 ApS	100.0%
AI Keyemde 2 ApS	Ballerup	Shareholder in AI Keyemde 3 ApS	100.0%
AI Keyemde 3 ApS	Ballerup	Shareholder in KMD Equity Holding A/S	100.0%
KMD Equity Holding A/S	Ballerup	Shareholder in KMD Holding A/S	100.0%
KMD Holding A/S	Ballerup	Shareholder in KMD A/S	100.0%
KMD Informatik AB	Stockholm	Subsidiary of KMD A/S	100.0%
KMD International A/S	Ballerup	Subsidiary of KMD A/S	100.0%
KMD Sverige AB	Stockholm	Subsidiary of KMD A/S	100.0%
KMD BPO A/S	Ballerup	Subsidiary of KMD A/S	100.0%

RELATED PARTY TRANSACTIONS
[2011: TRANSACTIONS WITH RELATED PARTIES]
The Group's related parties comprise the companies' boards of directors, executive boards and senior employees, and family members of these persons.

Related parties also comprise companies in which the specified group of people have significant influence.

Remuneration and shareholdings of the Board of Directors and Executive Board are described in Note 6. There have not been any other transactions with the Board of Directors, Executive Board or other related parties during the year.

NOTE 24_EVENTS AFTER THE BALANCE SHEET DATE

At the beginning of 2013, a dividend of DKK 300 million was paid to the Parent Company KMD Holding A/S. The dividend paid has been recognized in the Danish consolidated company AI Keyemde 3 ApS, which has not paid a dividend.

No other events have occurred since the balance sheet date that have a material impact on the Company's financial position at 31 December 2012.

EXPLANATION OF FINANCIAL RATIOS

The financial ratios have been prepared in accordance with *Recommendations and Key Ratios 2010*, issued by the Danish Society of Financial Analysts.

The financial ratios cited in the Financial highlights have been calculated as follows:

Profit margin (EBIT margin)	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization (EBITDA)}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on equity (ROE)	$\frac{\text{Net profit for the year}}{\text{Average equity}}$
Interest-bearing debt	Debt to credit institutions + deposits + bonds + subordinated debt
Adjusted EBITDA	EBITDA in accordance with the consolidated financial statements adjusted for the accounting items Other operating income and expenses and Restructuring costs of a one-off nature.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

DKK million

Note		2012	2011
2	**Revenue**	**4.551.5**	**4.052.5**
	Other external costs	1.843.2	1.632.5
3	Staff costs	2.009,9	1.862.2
	Other operating income	19.8	7.9
	Earnings before tax, interest, depreciation and amortization (EBITDA)	**718.2**	**565.7**
7,8	Depreciation and amortization	148.3	137.1
	Operating profit (EBIT)	**569.9**	**428.6**
4	Financial income	18.5	6.4
5	Financial expenses	8.3	17.7
	Earnings before tax (EBT)	**580.1**	**417.3**
6	Tax on profit for the year	150.4	105.4
	Net profit for the year	**429.7**	**311.9**
	Allocated as follows:		
	Dividend	0.0	0.0
	Retained earnings	429.7	311.9

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

ASSETS

DKK million

Note		2012	2011
	NON-CURRENT ASSETS		
	Customer relationships	43.9	54.8
	Rights	8.0	11.1
	Goodwill	124.1	95.7
	Completed development projects	32.8	38.0
	Development projects in progress	626.7	501.0
7	**Intangible assets**	**835.5**	**700.6**
	Land and buildings	95.1	103.2
	Leasehold improvements	40.1	39.0
	Plant and machinery	189.4	202.4
	Fixtures, operating material and vehicles	13.8	20.1
8	**Property, plant and equipment**	**338.4**	**364.7**
9	Equity investments in subsidiaries	23.2	78.5
	Deposits	43.8	42.8
	Other non-current assets	**67.0**	**121.3**
	Total non-current assets	**1,240.9**	**1,186.6**
	CURRENT ASSETS		
	Inventories	9.3	8.3
10	Trade receivables	907.7	652.7
	Receivables from Group enterprises	5.2	67.3
11	Contract work in progress	60.7	65.6
	Other receivables	25.1	35.4
	Corporation tax receivable	2.1	1.5
12	Prepayments	96.3	92.5
	Cash	188.6	69.7
	Total current assets	**1,295.0**	**993.0**
	Total assets	**2,535.9**	**2,179.6**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES

DKK million

Note		2012	2011
	EQUITY		
13	Share capital	240.0	240.0
	Hedging reserve	0.0	-1.3
	Reserve for foreign currency translation adjustments	0.0	0.0
	Retained earnings	712.0	448.8
	Proposed dividend	0.0	0.0
	Total equity	**952.0**	**687.5**
	LIABILITIES		
6	Provision for deferred tax	91.4	60.5
14	Provisions	22.0	152.9
	Credit institutions	0.0	118.9
15	**Non-current liabilities**	**113.4**	**332.3**
	Credit institutions	0.0	32.6
	Prepayments from customers	49.0	25.9
	Trade payables	516.1	403.1
	Payables to Group enterprises	130.9	73.2
16	Other payables	531.4	489.0
	Derivative financial instruments	0.0	0.0
	Corporation tax payable	2.4	5.2
16	Provisions	114.5	0.0
	Deferred income	126.2	130.8
	Current liabilities	**1,470.5**	**1,159.8**
	Total liabilities	**1,583.9**	**1,492.1**
	Total equity and liabilities	**2,535.9**	**2,179.6**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Hedging reserve	Retained earnings	Proposed dividend	Total
Equity at 31 December 2011	240.0	-1.3	448.8	0.0	687.5
Addition in connection with merger			13.5		13.5
Value adjustment of hedging transactions before tax		1.6			1.6
Tax effect of hedging transactions		-0.3			-0.3
Extraordinary dividend			-180.0	180.0	0.0
Dividend paid				-180.0	-180.0
Net profit for the year			429.7		429.7
Equity at 31 December 2012	**240.0**	**0.0**	**712.0**	**0.0**	**952.0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

OVERVIEW

NOTE 01_ACCOUNTING POLICIES

The financial statements for the Parent Company have been prepared in accordance with the provisions of the Danish Financial Statements Act for large companies in accounting class C.

The Group's accounting policies are set out in the consolidated financial statements. The accounting policies for the Parent Company are the same as for the Group with the adjustments set out below.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

DIVIDENDS AND INCOME FROM EQUITY INVESTMENTS IN SUBSIDIARIES

In the Parent Company financial statements this accounting item comprises dividends from subsidiaries. A dividend is recognized when the shareholders' entitlement to receive a dividend has been approved by the competent company bodies.

If the dividend exceeds total earnings after the acquisition date, it is recognized as a write-down of the cost of the investment.

INVESTMENTS

Equity investments in subsidiaries are measured in the Parent Company financial statements at cost minus any write-down for impairment.

Loans to subsidiaries are recognized under non-current assets in the Parent Company financial statements if these are considered part of the investment.

STATEMENT OF CASH FLOWS

Pursuant to Section 86 para. 4 of the Danish Financial Statements Act, the Parent Company does not prepare a separate statement of cash flows; please refer to the consolidated statement of cash flows.

NOTE 02_REVENUE

KMD A/S operates within the IT and IT-related services segment in the Danish market.

NOTE 03_STAFF COSTS

DKK million	2012	2011
Wages, salaries and remuneration	1,838.3	1,690.9
Pensions	163.7	163.4
Other social security costs	7.9	7.9
Total	**2,009.9**	**1,862.2**
Board of Directors		
Remuneration	0.4	0.4
Total	**0.4**	**0.4**
Executive Board		
Salaries, etc.	10.6	9.9
Pensions	0.2	0.2
Total	**10.8**	**10.1**
Average number of employees	**3,062**	**2,798**

The previous share-based investment program for the Executive Board, some external members of the Board of Directors and a number of senior employees in KMD A/S was closed in connection with EQT's sale of the Group to certain funds managed by Advent International Corporation. All shares and share options were bought back from participants in the program in connection with the sale.

A new share investment program was established on 20 December 2012 for the Executive Board and a number of senior employees. Investment is by means of endorsing the purchase of B and C shares respectively in AI Keyemde ApS made by two limited partnerships. The share purchase comprises 3.86% of the share capital in AI Keyemde ApS. See note 6 to the consolidated financial statements for further information.

NOTE 04_FINANCIAL INCOME

DKK million	2012	2011
Interest income	18.2	6.3
Interest income, Group enterprises	0.3	0.1
Total	**18.5**	**6.4**

NOTE 05_FINANCIAL EXPENSES

DKK million	2012	2011
Interest expenses	8.0	16.8
Interest expenses, Group enterprises	0.3	0.9
Total	**8.3**	**17.7**

NOTE 06_TAX ON PROFIT FOR THE YEAR

DKK million	2012	2011
Current tax	110.8	95.8
Change in deferred tax	39.6	12.3
Total	150.4	108.1
Prior year adjustments	0.4	-1.9
Total	**150.8**	**106.2**
Made up as follows:		
Tax on profit for the year	150.4	105.4
Tax on changes in equity	0.4	0.8
Total	**150.8**	**106.2**

Development in deferred tax can be specified as follows:

DKK million	2012	2011
Balance at 1 January	60.5	47.3
Adjustment of deferred tax, 1 January	-8.7	0.9
Provisions for the year	39.6	12.3
Balance at 31 December	**91.4**	**60.5**
Deferred tax is made up as follows:		
Intangible assets	175.4	148.5
Property, plant and equipment	-51.5	-48.8
Other liabilities	-5.5	-9.2
Non-current portion	**118.4**	**90.5**
Current assets	9.7	7.4
Other liabilities	-36.7	-37.4
Current portion	**-27.0**	**-30.0**
Balance at 31 December	**91.4**	**60.5**

NOTE 07_INTANGIBLE ASSETS

2012

DKK million	Customer relation-ships	Rights	Good-will	Development projects in progress	Completed development projects	Total
Cost at 1 January	58.5	39.7	116.6	501.0	52.9	768.7
Addition in connection with merger at 1 January		4.9	37.7		1.3	43.9
Acquisitions						0.0
Additions during the year		0.6		125.7	4.0	130.3
Disposals during the year		-3.1			-1.3	-4.4
Cost at 31 December	58.5	42.1	154.3	626.7	56.9	938.5
Amortization and impairment losses at 1 January	3.7	28.6	20.9	0.0	14.9	68.1
Addition in connection with merger		3.5			1.3	4.8
Disposals during the year		-2.7			-1.4	-4.1
Amortization for the year	10.9	4.7	9.3	0.0	9.3	34.2
Amortization and impairment losses at 31 December	14.6	34.1	30.2	0.0	24.1	103.0
Carrying amount at 31 December	**43.9**	**8.0**	**124.1**	**626.7**	**32.8**	**835.5**
Carrying amount of capitalized interest at 31 December	0.0	0.0	0.0	2.4	0.2	2.6

NOTE 08_PROPERTY, PLANT AND EQUIPMENT

2012

DKK million	Land and buildings	Leasehold improvements	Plant and machinery	Fixtures, operating equipment and vehicles	Total
Cost at 1 January	143.8	42.9	549.5	142.1	878.3
Acquisitions		0.0	11.7	3.0	14.7
Additions during the year	0.0	4.7	76.6	4.3	85.6
Disposals during the year	0.0	0.0	-10.5	-0.3	-10.8
Cost at 31 December	143.8	47.6	627.3	149.1	967.8
Depreciation at 1 January	40.7	3.9	347.1	122.0	513.7
Addition in connection with merger			0.8	1.7	2.5
Depreciation for the year	8.0	3.6	90.8	11.8	114.2
Depreciation eliminated on disposals			-0.8	-0.2	-1.0
Depreciation at 31 December	48.7	7.5	437.9	135.3	629.4
Carrying amount at 31 December	**95.1**	**40.1**	**189.4**	**13.8**	**338.4**

NOTE 09_EQUITY INVESTMENTS IN SUBSIDIARIES

DKK million	2012	2011
Cost at 1 January	78.5	56.1
Additions	0.0	22.4
Disposal in connection with merger	-55.3	0.0
Cost at 31 December	23.2	78.5
Accumulated impairment losses at 1 January	0.0	0.0
Impairment losses for the year	0.0	0.0
Accumulated impairment losses at 31 December	0.0	0.0
Carrying amount at 31 December	**23.2**	**78.5**

Group enterprises 2012	Domicile	Currency	Ownership interest
KMD International A/S	Ballerup	DKK	100%
KMD BPO A/S	Ballerup	DKK	100%
KMD Informatik AB	Stockholm	SEK	100%
KMD Sverige AB	Stockholm	SEK	100%

The 100%-owned subsidiary Organisator has been merged with the Parent Company KMD A/S with effect from 1 January 2012.

NOTE 10_NON-CURRENT RECEIVABLES

DKK million	2012	2011
Receivables over 1 year	0.5	0.0

NOTE 11_CONTRACT WORK IN PROGRESS

DKK million	2012	2011
Selling price of work performed	324.3	170.4
Payments received on account	-263.6	-104.8
Carrying amount at 31 December	**60.7**	**65.6**

NOTE 12_PREPAYMENTS

DKK million	2012	2011
Prepaid salaries	36.4	36.9
Other prepayments	59.9	55.5
Carrying amount at 31 December	**96.3**	**92.4**

NOTE 13_SHARE CAPITAL

DKK million	2012	2011
The Parent Company's capital is made up as follows:		
1 share class of A shares of DKK 1,000	240	240
Total	**240**	**240**

NOTE 14_PROVISIONS

DKK million	2012	2011
Provisions at 1 January	151.4	40.4
Additions during the year	87.3	137.7
Used during the year	-102.2	-26.7
Reversed during the year	0.0	0.0
Carrying amount at 31 December	**136.5**	**151.4**

Provisions relate essentially to expected expenses in connection with customer projects.

There is some uncertainty regarding the size of the actual amounts and the time they fall due. In the case of onerous contracts, the lack of certainty relates primarily to the number of hours that will be used to fulfill contracts, including fulfillment of service targets and interpretation of framework agreements, etc.

NOTE 15_NON-CURENT LIABILITIES

DKK million	2012	2011
Non-current payables due more than 5 years after the balance sheet date	0.0	0.0
Carrying amount at 31 December	**0.0**	**0.0**

NOTE 16_OTHER PAYABLES

DKK million	2012	2011
Holiday pay obligations	312.2	305.1
Other staff-related items	116.5	119.6
VAT, A tax (PAYE), social security contributions and ATP supplementary pension	102.7	64.3
Balance at 31 December	**531.4**	**489.0**

NOTE 17_CONTINGENT ASSETS AND LIABILITIES

The Company has entered into leases and operating leases that are non-cancelable on the part of the Group beyond 1 year. The value of the total rental and lease commitments is as follows:

RENTAL COMMITMENTS

DKK million	2012	2011
Rental commitments due within 1 year	107.0	100.8
Rental commitments due within 2 to 5 years	405.3	386.2
Rental commitments due after 5 years	754.6	706.6
Total	**1,266.9**	**1,193.6**

Rental commitments relate primarily to the Group's owner-occupied properties where contracts have been entered into that are non-cancelable until 1 January 2024.

LEASE COMMITMENTS

DKK million	2012	2011
Lease commitments due within 1 year	228.0	220.5
Lease commitments due within 2 to 5 years	563.8	398.2
Lease commitments due after 5 years	209.4	210.0
Total	**1,001.2**	**828.7**

Lease commitments mainly comprise lease commitments concerning third-party software/maintenance subscriptions.

OTHER LIABILITIES AND CONTINGENT LIABILITIES

The Company has particular obligations to employees employed on equivalent terms to public servants. The obligation relates to tideover allowances and compensation for temporary unemployment, etc. totaling DKK 3.2 million at 31 December 2012 if the employees in question were given notice on the balance sheet date.

The Company has entered into an agreement with a supplier concerning purchase of property, plant and equipment in 2013 totaling DKK 76.7 million.

The Group is involved in normal commercial disputes. Although the final outcome of these matters cannot be predicted, the management does not consider that they will have a material impact on the Company's results or financial position.

The senior loan agreement is a loan facility comprising two loan facilities and a revolving credit facility. On 31 December 2012 KMD A/S's nominal debt in relation to the loan agreement was DKK 3,425 million.
The shares in KMD A/S and its subsidiaries have been pledged as security for the senior loan agreement.

Mortgages worth DKK 12.6 million have been pledged as security for the Company's debts.

KMD has entered into an agreement with KL (Local Government Denmark) concerning adjustment of price development and service level in certain IT systems critical in relation to local governments' administration of legislation in the welfare area.

NOTE 18_RELATED PARTIES

The Company has had the following transactions with related parties:

DKK million	**2012**	**2011**
Trading and balances with related parties comprise:		
Sale of goods and services, Group enterprises	42.2	85.1
Purchase of goods and services, Group enterprises	37.2	14.3
Interest income from Group enterprises	0.3	0.1
Interest expenses to Group enterprises	0.3	1.0
Receivables from Group enterprises	5.2	67.3
Payables to Group enterprises	130.9	73.2

See Note 23 to the consolidated financial statements for more information on related parties.

The annual report for KMD A/S and Group enterprises is included in the consolidated financial statements for KMD Equity Holding A/S.

NOTE 19_EVENTS AFTER THE BALANCE SHEET DATE

At the beginning of 2013, a dividend of DKK 300 million was paid to the Parent Company KMD Holding A/S. The dividend paid has been recognized in the Danish consolidated company AI Keyemde 3 ApS, which has not paid a dividend.

No other events have occurred since the balance sheet date that have a material impact on the Company's financial position at 31 December 2012.

STATEMENTS

STATEMENT BY THE EXECUTIVE BOARD AND BOARD OF DIRECTORS

The Board of Directors and the Executive Board have today considered and adopted the Annual Report for the financial year 1 January – 31 December 2012 for KMD A/S.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the EU, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. The Consolidated Financial Statements and the Parent Company Financial Statements have also been prepared in accordance with additional Danish disclosure requirements for Danish entities. The Management's review, which is not included in the audit, has been prepared in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements provide a fair presentation of the Group's assets, equity, liabilities and financial position at 31 December 2012 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2012.

In our opinion the Parent Company financial statements provide a fair presentation of the Company's assets, liabilities and financial position at 31 December 2012 and of the results of the Company's operations for the financial year 1 January – 31 December 2012.

In our opinion the Management's review provides a fair account of the development in the Group's and the Company's operations and financial circumstances, net profit for the year, and the Group's and the Company's financial position, plus a description of the key risks and elements of uncertainty to which the Group and the Company are subject.

We recommended that the Annual Report be adopted at the Annual General Meeting.

Ballerup, 15 March 2013

EXECUTIVE BOARD

Lars Monrad-Gylling
CEO

Carsten Fensholt
CFO

BOARD OF DIRECTORS

Léo Apotheker
Chairman

John Woyton

Fred Wakeman

Michael Christiansen

Lars Monrad-Gylling

Carsten Fensholt

Else Bergman

Bjerne Kaj Nielsen

Erik Lykke Hansen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KMD A/S

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and Parent Company Financial Statements of KMD A/S for the financial year 1 January to 31 December 2012, which comprise income statement, balance sheet, statement of changes in equity, notes and accounting policies for both the Group and the Parent Company, as well as statement of comprehensive income and statement of cash flows for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company Financial Statements are prepared under the Danish Financial Statements Act. Moreover, the Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with additional Danish disclosure requirements for Danish entities.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for Danish entities and for preparing Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and Danish disclosure requirements, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Consolidated Financial Statements and Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2012 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2012 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2012 in accordance with the Danish Financial Statements Act and Danish disclosure requirements.

STATEMENT ON MANAGEMENT'S REVIEW

We have in accordance with the Danish Financial Statements Act read Management's Review. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 15 March 2013

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Fin T. Nielsen
State Authorized Public Accountant

Leif Ulbæk Jensen
State Authorized Public Accountant

KMD'S ANNUAL REPORT 2012

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