Columbus® Once you know how...

Annual Report 2018

Columbus A/S

CVR.: 13228345

Columbus, Lautrupvang 6, DK-2750 Ballerup
Phone: +45 70 20 50 00, Fax: +45 70 25 07 01
www.columbusglobal.com, CVR.: 13 22 83 45

About Columbus

Columbus is a global IT services and consulting corporation with more than 2,000 employees serving our customers worldwide. We bring digital transformation into your business and position you to thrive far into the future.

We are experts in designing, developing, implementing, upgrading and maintaining digital business applications that help your business succeed in digital transformation. Our consultants have experience in developing businesses in many different industries all over the world.

We offer a comprehensive solution portfolio with deep industry knowledge, extensive technology expertise and profound customer insight. We have proven this through 29 years of experience serving more than 5,000 customers worldwide.

1,700,000
hours of consultancy every year

8,600
business application implementations

24/7
global support with Columbus Care

75,000
customer cases solved every year

2,000+
employees

No.1 in digital commerce in the Nordics

5,000 customers world-wide

20+
strategic partnership with leading vendors

Highlights

Revenue

DKK 1,875m

corresponding to a growth of 54%.

EBITDA[1]

DKK 181m

corresponding to a growth of 22%.

[1] EBITDA before share-based payment

Columbus Software sales

DKK 103m

corresponding to a growth of 24%.

Recurring revenue and cloud revenue

DKK 426m

corresponding to an increase of 26%. The proportion of recurring revenue constitutes 23% of the total revenue.

Profit before tax

DKK 115m

corresponding to an increase of 14%.

Contents

Year of integration with continued growth and an expanded solution portfolio

Columbus continued to deliver stellar results despite a challenging global economy in 2018. With a clear strategic direction and market trends that make our offerings increasingly relevant, the outlook for the company remains promising.

As we enter 2019, the global economy seems more fragile and uncertain than just one year ago. Stock markets are tense, USA, EU and China are on the verge of a trade war, Brexit is a daunting reality, the Russian economy is remaining challenging and new technology drives inevitable change.

These are the current and future realities in which Columbus and most other businesses operate in. Realities that obviously constitute a risk for Columbus, but also realities that open a range of opportunities for us as a global IT services and consulting business.

Columbus' core business is to help companies operate and succeed within changing market conditions. As the global business environment is rapidly changing, the urge to digitally transform, maximize operations and futureproof businesses emerges, thus enhancing Columbus' value proposition and growth opportunities.

A year of integration and strategic development

2018 has been a satisfying year for Columbus. I am pleased that the company grew revenue and EBITDA and maintained a strong market position while integrating the largest acquisition in the company's history.

With the acquisition of iStone in January 2018, Columbus took a major step in our mission to become a global strategic business partner leading our customers in the digital transformation. In one stroke, Columbus grew revenue and the number of employees significantly, entered the Swedish market, became twice as big in Norway and added a range of new solutions and services to our portfolio. Today, Columbus is a leading global player offering a broader solution portfolio and addressing a larger market with digital solutions and competencies.

Columbus also acquired the rental and lease software company, HiGH Software, which extended our comprehensive solution portfolio with rental and lease management applications for equipment-driven industries.

It was a busy year for Columbus and the team managed to deliver a satisfactory result in combination with realising several growth initiatives which will yield return in the future.

A clear strategic direction

As chairman and a major shareholder, I am very pleased about the development in Columbus and excited about how Columbus is positioned to realize its growth ambitions. When I look ahead, I am very confident that the direction set by the Columbus2020 strategy, our comprehensive portfolio and our strengthened market position will give us tail wind to manoeuvre in the changing winds of the global economy, and will generate growth and value for our customers in the coming years.

On behalf of the Board, I would like to thank everyone in Columbus for contributing to the progress. Likewise, I would like to thank our customers for their business and trust in the past year and our shareholders for their support and confidence making our achievements possible.

Ib Kunøe
Chairman
of the Board

Seizing the growth opportunities through innovation

We have invested significantly in new solutions and services to meet the demands from our customers to fuel for continued growth. We have also made the largest acquisition ever. Our efforts are paying off and the outlook for 2019 is positive.

2018 was a satisfactory year for Columbus giving us a solid foundation for creating even greater value for our customers. I am pleased that we have succeeded in growing and developing our business.

During 2018, we realized significant investments in extending our solution portfolio as well as investing in market expansions. We moved forward on important strategic priorities such as our customer satisfaction programs, digitalization and global delivery capabilities. We are expecting positive outcome from our investments, thus having positioned ourselves to help our customers in the entire digital transformation journey.

We delivered revenue growth of 54% and EBITDA increase by 22%. We grew within new markets areas such as Infor M3, Commerce, Rental and Lease while maintaining our leading market position within core ERP services. Unfortunately, we also saw significant decline in external software licenses.

In general, our Business Units have performed well in 2018 and delivered growth in both revenue and earnings.

However, our US Business entered 2018 facing challenges which unfortunately continued all through the year. We are continuing to execute recovery plans with adjusted cost level which has led to an improved EBITDA.

iStone integration generates value

We were privileged to welcome more than 650 new highly skilled employees from iStone and HiGH Software to the Columbus family and the year was in many ways dominated by the integration of iStone. During the year we progressed with all prioritized areas in our Stronger Together Program. I am especially satisfied that we merged our two Norwegian organizations, we initiated global delivery capacity within Infor M3 and Commerce and we merged our websites. During this first year of integration, the match between our two companies has been confirmed, especially within our solution portfolio, market reach and cultural fit. However, despite the good start of the integration we still have work ahead of us as the integration process continues into 2019.

I am extremely proud of the effort and performance of our employees, who take part in the integration program. Their talent, dedication and efforts are a major success factor for Columbus.

Columbus2020 on track

We progressed with the execution in the third year of our strategy journey Columbus2020. Customer loyalty and customer satisfaction remain central elements of our strategy and we have worked intensively to continue to ensure and increase customer loyalty. Furthermore, we progress with developing our global delivery model, also expanding it to new business areas such as Infor M3 and Commerce. I am particularly satisfied with the progress we delivered within our strategic focus area Digital Leadership, where we launched a new extensive services and solution portfolio under the framework of "The 9 Doors to Digital Leadership®" to seize the market opportunities to grow within and beyond our core ERP business.

Innovation to prosper for growth

In today's complex business and IT landscape, companies increasingly seek fewer, but more strategic business partners to assist in the strategic development of digitalization.

With the 9 Doors to Digital Leadership®, Columbus offers a life-time partnership that addresses our customer's entire demands ranging from analytics and business intelligence services, and customer experience solutions to application and infrastructure management. In 2018, we launched a range of new solutions within Analytics & Business Insight, Customer Experience, ERP services and Columbus Care Application and Infrastructure Management providing us with more far reaching and specific business opportunities with our customers.

With the 9 Doors to Digital Leadership®, we address a larger market within and beyond ERP and we increase our engagement with existing customers, as we can help our customers with all aspects of their business challenges. I am convinced that the 9 Doors to Digital Leadership® will be our major growth engine and competitive advantage for Columbus in 2019 and beyond.

Positive expectations

With strong innovation and good market momentum, our outlook for the future is positive. In 2019, we expect to deliver growth in both revenue and EBITDA.

I am looking forward to 2019 and to take another step towards delivering on our ambitions. I am confident that we are on the right track with best in class solutions and services, highly skilled employees, global delivery capacity and high-quality deliveries to our customers.

Finally, I would like to thank our employees for their commitment and hard work, which has enabled us to deliver on our promises for 2018. I am counting on our teams around the world to help our customers move forward and to ensure a prosperous future for them and Columbus.

Thomas Honoré
CEO & President


Columbus helps ambitious companies transform, maximize and future-proof their business digitally

Management's review

Columbus2020: Growing through digital innovation

Today's global economy is rapidly changing and companies around the world are going through major changes to adapt to the changing business conditions. In Columbus, we are committed to take care of our customers for life and help them reach their goals for a sustainable, growing and profitable future through digital innovation.

A year of innovation

Digitalization provides enormous possibilities for all businesses. Whether it is about improving the customer experience, maximizing efficiency in operations or developing new products, digitalization is key to progress and success. In 2018, Columbus has grown our business within new areas such as business analytics and commerce, reflecting this increasing demand from our customers to use technology as a business driver.

In 2018, the overall theme for Columbus was innovation for growth. Our 5-year strategy Columbus2020 was founded on the aspiration to be the preferred provider of digital business solutions globally, and 2018 was another great year of strategy execution.

2018 was the third year of the Columbus2020 strategy and we reached important milestones while growing our business. The strategy is based on four interconnected strategic elements which is our foundation for offering state of the art solutions to our customers, delivering superior quality and taking care of our customers for life.

Customer Success
Taking care of customers for life

Our goal is to take care of our customers for life. This means that our core focus is to create an ultimate customer experience, including an extensive focus on delivering high quality to our customers throughout our business. From the initial customer contact, during the sales process, throughout project delivery to 24/7 lifetime support.

Our guiding star is Columbus Pulse, which is our global customer loyalty program. Each month we measure customer loyalty across our Business Units. During 2018, we improved Columbus Pulse significantly compared to last year. During spring, iStone and HiGH Software implemented Columbus Pulse and we now have a common customer loyalty language across Columbus.

With this foundation in place, we will take the next step on our customer loyalty journey to start using Columbus Pulse more pro-actively in the customer relationship management.

With the acquisition of iStone and HiGH Software, as well as the launch of the 9 Doors to Digital Leadership®, we have expanded our solution and services portfolio significantly leading to a new customer value proposition. In December, we launched a new global website that reflects our updated brand and company profile and supports our inbound marketing strategy. Furthermore, we have aligned marketing and sales tools globally in order to create the ultimate customer experience in the increasingly digital customer buying journey.

Digital Leadership
Accelerate business innovation

A key element in Columbus' strategy is to help our customers in their digital transformation by delivering more significant innovations, tailored to customer needs.

Business and IT are increasingly melting together and the ability to use technology as a competitive advantage and a foundation for business decisions is crucial to all organizations. In addition, organizations increasingly request to have one business partner in a close life-time relationship to support the company as it evolves.

2018, truly was the year of innovation in Columbus. We launched a new extensive solution and service portfolio under the framework of The 9 Doors to Digital Leadership®. The 9 Doors to Digital Leadership® expands Columbus' traditional core ERP competence to address the customers' entire business challenge, thus enabling us to expand our customer base and reach out to new markets.

As The 9 Doors to Digital Leadership® is our global services and solution framework, we address the market in a unified way while allowing us to further build on and expand our strong global delivery capabilities to the benefits of our customers.

Each of the 9 Doors to Digital Leadership® consists of an exhaustive portfolio of services. As an example, the Analytics & Business Insight consists of different services such as Business Value Consulting, Analysis & Reporting and Corporate Performance Management.

During 2018, Columbus went to market with five of the 9 Doors to Digital Leadership® comprising:

- Enterprise Resource Planning (our core ERP services + a range of new services)
- Analytics & Business Insight
- Customer Experience
- Application Management (Columbus Care)
- Cloud & Infrastructure Management (Columbus Care)

In 2019, we will prepare the remaining 9 Doors to Digital Leadership® for official global launch in 2020. However, some Business Units sell and deliver some of these solutions already.

The 9 Doors to Digital Leadership® will be Columbus' major growth engine and competitive advantage in 2019 and beyond.

Process Excellence
Quality in everything we do
Columbus' goal of delivering a unique customer experience implies that we constantly optimize and improve our business operations in order to achieve global sales excellence and deliver high quality services to our customers.

In 2018, we progressed further with our global quality program and delivery capacity. One major element was the global implementation of a new ITSM (IT Service Management) solution based on the standard software ServiceNOW. The ITSM solution has further improved the quality of customer project deliveries, thus continuing to improve the customer experience and improve Columbus Pulse.

Delivering high quality to customers is key to our business, and during 2018 we initiated improvements such as a global project management office, implementation of a global delivery model to support new business areas such as Analytics & BI and Customer Experience and establishment of common project planning methods and tools.

Our People
Attract, develop and retain the best people
Columbus is a people business and our employees is our greatest asset. Therefore, it is crucial that we attract, develop and retain the best people in the industry. We want to be better at enabling our employees to develop their professional and leadership skills, thus the strategic element Our People focuses on career and people development.

We have progressed significantly with our Columbus Academy Program, which is our global curriculum and digital learning platform. During 2018, more than 400 people across Columbus completed a Columbus Academy training, covering consultancy skills, sales methodologies and new employees. We continue to extend and develop Columbus Academy, which will ultimately cover a full curriculum for most roles in Columbus.

Furthermore, Columbus continued to improve our Competencies and Career Framework (CCF), which synchronizes and unifies our employees' objectives setup in all Business Units. During 2018, management in iStone and HiGH Software were partially enrolled in CCF and the next step is to enrol all employees.

In a business like Columbus, attracting the right employees is crucial to us. Therefore, we have initiated comprehensive work with establishing a strong Employee Value Proposition that boils down the essence of working in Columbus to a clear message we use in attracting new employees and retaining our current employees.

Columbus' strategy is built around three value drivers:

1

Growth in the services business

Today, the services business is our largest revenue contributor, and we expect the service revenue to continue to be the major revenue stream in the future. We aim to deliver higher productivity and quality in our services business to optimize delivery, minimize risk and control cost.

2

Scaling of own software sales

Columbus Software generates high earnings while creating high value for customers. We aim to grow our software sales within Columbus Software subscriptions and cloud revenue.

3

Recurring service revenue and cloud revenue

We expect to grow the recurring service revenue in order to improve predictability and support our profitability. The recurring revenue consists of Columbus Software and third party software subscriptions, cloud revenue and Columbus Care revenue. All revenue categories are based on a long co-operation with customers where Columbus becomes the strategic business partner.

Columbus2020 – embracing the digital economy

Columbus' five-year strategy, Columbus2020, was born with the ambition of being the preferred service provider of digital business solutions globally.

Columbus continues to invest in new innovative business solutions, while at the same time optimizing and streamlining our services business. Ensuring satisfied and successful customers is an essential focus area for Columbus, as well as engaged and motivated employees.

The strategy is based on four strategic interconnected elements that lead our customers in the digital transformation of their business. In the following, we take a closer look at Columbus' ambitions within our strategic focus areas.

Columbus 2020

CUSTOMER SUCCESS

Customer Success – Taking care of our customers for life

Columbus aims to be widely recognized as a business partner that enhances our customers' success by improving the value realization of their business applications investments.

Therefore, we will intensify our focus on creating a unique customer experience, including an extensive focus on better quality and project delivery throughout our business.

Taking care of our customers is a fundamental goal for Columbus. An important foundation for reaching that goal is our lifetime support offering, Columbus Care, which ensures our customers high quality support around the clock. We will extend the Columbus Care offering with new services towards a total service concept that takes care of our customers in more areas – for life.

DIGITAL LEADERSHIP

Digital Leadership – Accelerate business innovation

Columbus helps our customers accelerate business innovation by maximizing the value realization of business applications and by leading them in the digital business transformation. Digital Leadership comprises two different, yet closely connected types of innovation:

Columbus will continue to strengthen our leadership position within ERP and business applications. This means that we will invest in new business applications, new methodologies and new business processes to make the experience of buying and implementing business applications from Columbus faster, better, less risky and with high returns.

Columbus will extend our business and build a new leadership position in digital business transformation. Our customers are seeking a business partner that is able to lead them in the digital transformation of their business. Columbus wants to be that partner. We will build a leadership position using cloud, social, analytics and IoT (Internet of Things) technologies and business models, to enable our customers to take advantage of the digital opportunities.

PROCESS EXCELLENCE

Process Excellence – Quality in everything we do

In Columbus, we constantly strive to optimize and streamline the business operations in order to achieve global sales excellence and deliver high quality services to our customer. Our goal is to create the best customer experience for our customers, when engaging with Columbus.

The focal point is quality in everything we do – from the initial contact with customers, over sales and design of the business solution to the implementation process and lifetime support engagement. We want to be best in class in ensuring the value realization of the project and manage the inherent risks in the implementation. In order to reach that goal, we will optimize our sales, services and support delivery capabilities – always striving to improve the quality.

OUR PEOPLE

Our People – Attract, develop and retain the best people

Columbus is a people business. Our greatest asset is our people and therefore it is crucial for our success that we attract and retain the best people in the industry. We want Columbus to be a company attracting highly skilled people to join, because it is the best place for competence development. We will achieve this goal by providing challenging career opportunities, attractive working conditions and professional and personal growth.

Furthermore, we want to create a customer success culture, where meeting the customers' expectation for high quality sets the direction in everything we do. This means that we always strive to deliver projects on time, within budget and at the highest quality.

2018 outlined

Executing successful integration of iStone and HiGH Software while launching a new innovative solution portfolio. Revenue growth of 54% and EBITDA[1] increase of 22%. The profit after tax increased by 1% to DKK 97m.

Specific targets for 2018

Expectations announced in the Annual Report 2017:

- Revenue in the level of DKK 2bn
- EBITDA[1,2] in the level of 200m
- Columbus Software[2] in the level of DKK 90m
- 10% dividend on nominal share capital

Management Initiatives

- Execute the Columbus2020 strategy
- Integration of iStone
- Integration of HiGH Software
- Grow organically
- Recovery of the US business

Successful integration of iStone and HiGH Software

Columbus has successfully executed the first phase of the 3-year integration plan for iStone, which has confirmed the expected synergies in relation to markets, customers, solution portfolio, organization and delivery capacity. iStone delivered strong results, especially growing the Commerce, Infor M3 and Application Management businesses.

HiGH Software has successfully been fully integrated in Columbus and the DynaRent and DynaLease solutions are integrated into Columbus' product portfolio and have shown strong growth in 2018.

Investment for growth: 9 Doors to Digital Leadership®

Under the framework of 9 Doors to Digital Leadership® Columbus is expanding its solution and services portfolio to address a larger market within and beyond ERP and to increase its business with existing customers. We released the first five of the 9 Doors to Digital Leadership®, comprising Analytics & Business Insight, Customer Experience, ERP services and Columbus Care Application and Infrastructure Management. The 9 Doors to Digital Leadership® will be the major organic growth engine in 2019 and beyond.

Challenges in 2018

As expected, Columbus' US Business Unit continued to face challenges during 2018. Therefore, we saw an overall revenue decline of 13% in local currency compared to last year. However, as the overall cost level has been adjusted, the US business was able to increase EBITDA by 166%. The management continues to have thorough focus on improving revenue and margins.

Financial statements for 2018

The revenue increased by 54% to DKK 1.9bn in 2018. In local currency revenue increased by 56%. EBITDA[1] increased by 22% to DKK 181m. Revenue is in the lower end of our expectations. EBITDA is impacted by a non-recurring income of DKK 6.5m.

The revenue from Columbus' services business increased by 74% to DKK 1.4bn. The billing rate of service hours increased from 52% to 54%.

The revenue from Columbus Software increased by 24% to DKK 103m (2017: DKK 83m). This development is in line with our expectations.

External license revenue declined by 22% to DKK 74m despite acquisitions. External Cloud revenue grew by 161% to DKK 24m, but has not grown enough to offset the decline in perpetual licenses sales.

Recurring revenue[2] increased from DKK 338m to DKK 426m, an increase of 26%. The increase is due to a good progress in sale of Columbus Care, Cloud and the acquisitions. The recurring revenue constituted 23% of the total revenue compared to 28% in 2017.

The decrease is primarily due to the acquisition of iStone as iStone had less recurring revenue compared to Columbus. The development is in line with our expectations.

---

[1] EBITDA before share-based payment

[2] For definition of Alternative Performance Measures, see page 101

EBITDA after share-based payment increased by 17% to DKK 171m (2017: DKK 146m). Profit after tax increased by 1% to DKK 97m (2017: DKK 96m) and is considered satisfactory.

Dividend

In line with Columbus' dividend policy, the Board of Directors proposes a dividend of 10% of the nominal share capital, corresponding to DKK 0,125 per share, to be adopted at the General Meeting.

Key figures and ratios

DKK ´000	2018	2017	2016	2015	2014
Income related figures					
Columbus Software licenses	29,373	26,673	42,212	52,251	28,782
Columbus Software subscriptions	57,949	50,258	46,876	44,530	33,059
Columbus Cloud	15,547	6,248	1,975	0	0
Columbus Software	**102,869**	**83,179**	**91,063**	**96,781**	**61,841**
External licenses	74,029	94,629	86,495	107,525	73,891
External subscriptions	206,658	190,119	190,327	184,524	124,350
External cloud	24,095	9,215	4,837	0	0
Service	1,432,109	822,551	796,401	715,545	596,942
Other	35,492	19,069	23,584	19,068	21,267
Net revenue	**1,875,252**	**1,218,762**	**1,192,707**	**1,123,443**	**878,291**
Recurring revenue % of total revenue	22.7%	27.8%	25.3%	24.3%	N/A
EBITDA before share-based payment	181,183	148,510	144,070	105,225	81,591
EBITDA	171,409	146,208	138,546	103,863	78,704
EBIT	107,516	106,729	105,271	74,843	52,893
Profit before tax	115,441	101,630	107,303	83,400	58,700
Profit after tax	96,674	96,129	81,479	65,339	52,697
Balance sheet					
Non-current assets	1,140,954	584,274	551,726	434,951	279,789
Current assets	492,604	267,489	285,780	262,830	270,430
Total assets	**1,633,558**	**851,763**	**837,506**	**697,781**	**550,218**
Group shareholder equity	636,339	549,112	469,813	386,179	325,901
Minority interests	3,381	3,031	1,774	2,573	4,233
Total liabilities	993,838	299,620	365,919	309,029	220,084
Total equity and liabilities	**1,633,558**	**851,763**	**837,506**	**697,781**	**550,218**
Investments in tangible assets	**5,907**	**5,106**	**8,799**	**6,276**	**3,819**
Cash flow					
Cash flow from operating activities	124,294	103,708	124,708	109,147	75,023
Cash flow from investing activities	-255,557	-95,609	-130,546	-109,124	-36,285
Cash flow from financing activities	154,663	-15,365	19,981	-15,450	-9,625
Total cash flow	**23,400**	**-7,266**	**14,143**	**-15,427**	**29,113**
Key ratios					
EBITDA-margin	9.1%	12.0%	11.6%	9.2%	9.0%
Operating profit margin (EBIT-margin)	5.7%	8.8%	8.8%	6.7%	6.0%
Equity ratio	39.0%	64.5%	56.1%	55.3%	59.2%
Return on equity	14.9%	17.3%	17.2%	16.8%	15.6%
Return on invested capital including goodwill (ROIC)*	16.3%	29.2%	31.0%	31.1%	33.3%
Number of shares, in thousands	121,787	119,866	116,198	113,699	110,264
Average number of shares, in thousands	121,370	119,101	115,628	112,930	109,343
Book value of equity per share (BVPS)	5.23	4.58	4.04	3.40	2.96
Earnings per share (EPS)	0.78	0.80	0.70	0.57	0.46
Cash flow per share	1.01	0.85	1.04	0.95	0.66
Share price, end of period	12.68	14.80	10.70	6.70	4.70
Average full time employee for the period	1,845	1,194	1,105	1,080	889

*In 2018, we have revised our calculation of ROIC to align with a change in presentation of depreciation, amortization and impairment. Comparative figures for prior years have been adjusted.

The key figures and financial ratios above have been calculated in accordance with Danish Finance Society' "Recommendation & Financial Ratios"

Columbus delivered 54% growth in revenue

Columbus increased revenue by 54% to DKK 1.9bn. EBITDA[3] grew by 22% to DKK 181m. The increase was driven by the iStone and HiGH acquisitions and growth in Columbus Software.

Growth driven by acquisitions and Columbus Software

Total revenue increased by 54% to DKK 1.9bn, while EBITDA[3] increased by 22% amounting to DKK 181m.

Revenue growth was primarily driven by the acquisitions of iStone and HiGH Software and secondly by the sale of more Columbus Software.

The increase in EBITDA was driven by the mentioned acquisitions, cost adjustment in the US business and the increased sale of Columbus Software.

In local currency, the revenue increased by 56% and EBITDA[3] increased by 24%. The revenue was mainly affected by the decline in USD rate and secondly by the decline in RUB. In total the declining currency rates negatively affected the revenue by DKK 27m and EBITDA[3] by DKK 2.6m.

iStone integration on track

In 2018, Columbus initiated the 3-year integration plan of iStone with the goal of fully operating as one company in 2021. The integration is progressing as planned, and iStone delivers strong results within the areas of Commerce, Infor M3, Microsoft Dynamics and Application Management.

Investment for organic growth

Columbus has set the long-term targets to grow the business organically at a compounded average growth rate of 3-5% over the next three years.

The organic growth ambition will mainly be driven by the framework of 9 Doors to Digital Leadership® which is our comprehensive services and solutions catalogue.

With the 9 Doors to Digital Leadership®, Columbus is expanding our business within and beyond our traditional ERP business with end-to-end services and solutions that help our customers in the entire digital transformation of their business.

We have invested significantly in strengthening our global delivery capacity within these new services, thus expanding our Global Delivery Center, which now has 300 employees. This team leads the development and implementation of the 9 Doors to Digital Leadership® on a global scale.

Challenges in the Columbus US business

Columbus' US business unit entered 2018 with a challenging outlook, despite adjusted cost level and a reorganization of the sales organization. Unfortunately, these challenges continued during 2018 and Columbus US closed 2018 with a revenue of DKK 349m, a decline of 13% in local currency. However, as the overall cost level was adjusted, and as the US business did not face any significant losses on projects like in 2017, EBITDA increased from DKK 7m to DKK 19m 2018, an increase of 166%.

Decline in external software

External software licenses declined by 22%, which is due to the fact that a number of large customers buy licenses directly from the vendor where Columbus receives an agent fee, and due to the cloud transition. The decline is also affected by the decline in external software sales in Columbus US.

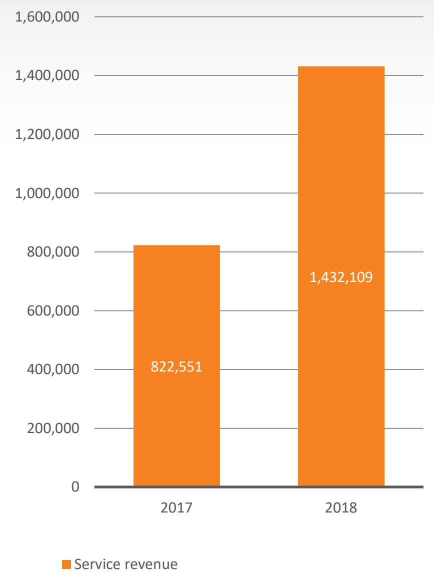
Progress in Columbus' value drivers

The progress of Columbus2020 is measured by three value drivers, which reflect the strategic direction in relation to significant criteria for future growth and value creation.

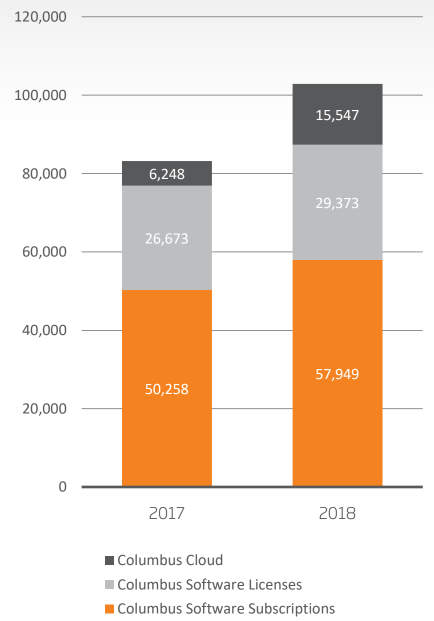
In the following, we will present the progress within each value driver.

3 EBITDA before share-based payment

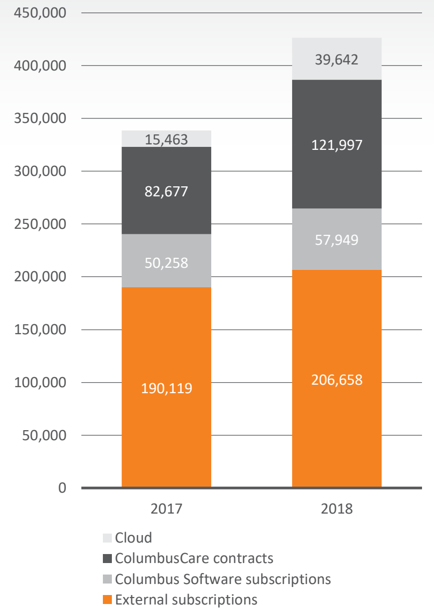
Development in service revenue



Development in sale of Columbus Software



Development in recurring revenue

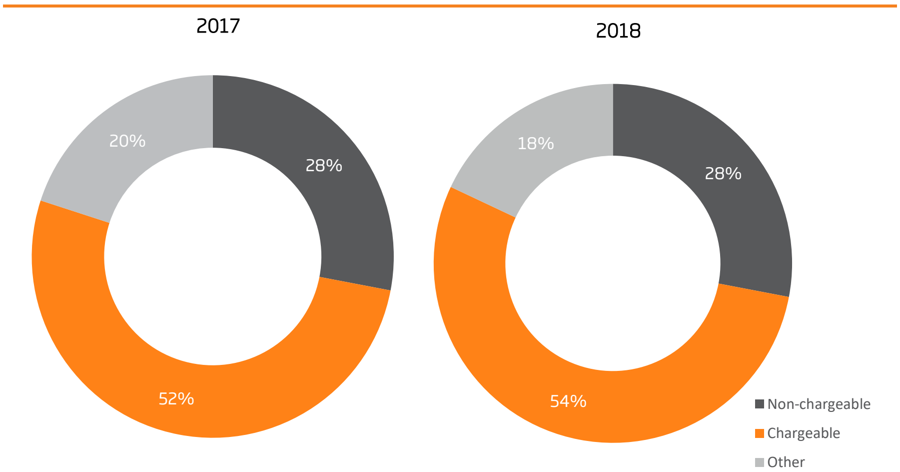


1. Progress in the services business
Columbus' services business is the largest revenue contributor in the Group. Columbus aims to expand the services business and continuously improve productivity and quality.

The service revenue increased by 74% to DKK 1.4bn. The main driver for the revenue growth is the iStone acquisition as services constitutes the largest part of iStone's revenue.

Chargeable hours increased from 52% to 54% compared to 2017. The improvement is mainly due to a high efficiency in iStone.

Development in the consultancy business



2. Growth in Columbus Software
Columbus Software is a strategic focus area for Columbus, as this is a key differentiator in the market. Columbus Software generates high margin and therefore growing our software business, especially within cloud services is essential.

In 2018, the total sale of Columbus Software increased by 24%. The sale of software subscriptions increased by 15% as a consequence of a satisfactory renewal rate and sale of perpetual licenses and the cloud conversion. The sale of licenses increased by 10% due to increasing demand and is deriving from both Columbus' existing portfolio as well as the acquired HiGH Software.

The sale of own cloud software products showed good progress, increasing from DKK 6m to DKK 16m, a growth of 149%. Overall sales execution in our software business was good.

3. Growth in recurring revenue
Columbus aims to grow recurring revenue to create better predictability. Columbus Software subscriptions, external subscriptions, cloud revenue, hosting and Columbus Care contracts comprise recurring revenue.

Recurring revenue increased by 26% and constituted 23% of the total revenue. The progress is driven by acquisitions and the considerable increase in Columbus Care contracts which grew by 48%, an increase in Columbus Cloud by 149% as well as external cloud growing 161%.

Acquisitions in 2018

Columbus acquired two companies in 2018; iStone and HiGH Software.

Immediately after the acquisition of iStone, Columbus initiated a three-year integration program, “Stronger Together” to ensure that we realize the overall business objectives and synergies of acquiring iStone. The overall objective is that by latest 1 January 2021 Columbus and iStone will operate totally as one company.

The Stronger Together program is being executed according to plan with numerous synergies. During 2018, the expected synergies are materializing. In particular, we experience synergies within customer engagements in relation to the Nordic region, where teams are working closely together on joint customers to optimize resources and deliver a better customer experience.

With the combination of our two businesses our delivery capacity and global reach have been significantly increased. We have initiated the expansion of our global delivery capacity within Infor M3, Commerce, Microsoft Dynamics and Application Management. Most of our customers are operating globally, and with the expansion of our global delivery capacity, we can support our customers wherever they are.

Another key milestone was the integration of our two Norwegian businesses both legally, within the organization and location, where our two Oslo offices moved together into the iStone location. Combined, we have a very strong team in Norway.

Communicating and acting as one company has also been an important milestone in the integration, and 1 January 2019, the iStone brand merged into the Columbus’ brand with an updated value proposition and an updated visual brand identity reflecting our joint strong market position.

We delivered growth across iStone business units, where especially Commerce, Infor M3 and Columbus Care grew in 2018.

In connection with the acquisition of iStone, we have announced expected integration cost in the level of DKK 10-15m in 2018. Integration was accelerated during H2 2018. As per year end a total of DKK 18m was spent on integration. This is above the intial announced integration cost. In first half of 2018 the integration cost amounted to DKK 6m which encompassed settlement pay in relation to the sale of the SAP business unit as well as the realization of organizational synergies.

	Revenue (DKKm)		EBITDA (DKKm)		Average FTE	
	2018	2017	2018	2017	2018	2017
ISV	160.2	88.1	62.1	44.2	151	90
Western Europe	1,298.0	607.2	112.7	92.4	1,144	525
Eastern Europe	135.2	144.5	12.3	13.0	301	280
North America	348.8	422.0	18.7	7.0	214	264
Parent company and elimination	-66.9	-42.9	-34.4	-10.4	35	35
Total	**1,875.3**	**1,218.8**	**171.4**	**146.2**	**1,845**	**1,194**

HiGH Software

The integration is progressing as planned, and during the year HiGH Software has been fully integrated into Columbus with a full integration of finance, legal, IT and branding under the Columbus brand including one organization structure. HiGH Software's solutions Dynarent and DynaLease have been integrated in Columbus' Software portfolio. Furthermore, we have initiated global delivery capacity of High Software's solutions and Columbus Global Delivery Center is already servicing customers on the Dynarent and DynaLease solutions.

Events after the balance sheet date

There have been no further events since 31 December 2018, which could significantly affect the evaluation of the Group's financial position and revenue. Earnings in January and February 2019 are in line with the company's expectations.

	2018 DKKm	2017 DKKm	Development 2017-2018
Columbus Software licenses	29	27	10%
Columbus Software subscriptions	58	50	15%
Columbus Cloud	16	6	149%
External software licenses	74	95	-22%
External software subscriptions	207	190	9%
External Cloud	24	9	161%
Services	1,432	823	74%
Other	35	19	86%
Total net revenue	**1,875**	**1,219**	**54%**

Expectations for 2019

2019 will be focused on growing our business organically through the 9 Doors to Digital Leadership® with retained profitability while continuing the successful integration process of iStone.

Expectations for growth

Today, Columbus holds a market leading position within the market for digital transformation and is among the leaders in cloud technology. With a comprehensive solution portfolio, highly skilled employees, a well-developed global delivery setup and high-quality deliveries to customers, we are well positioned to grow our business in 2019.

The move to cloud will continue in 2019 and we expect that most of our implementations will be using the cloud platform. We see an increasing interest from our customers to invest in new application areas such as business intelligence (AI & Machine learning) and customer experience (CRM & e-commerce). As technology is becoming more complex, organizations seek one business partner to help them in the entire digital journey. With the 9 Doors to Digital Leadership® Columbus can offer a life-time partnership that addresses our customers' entire demands and help them transform, maximize and futureproof their business.

Our main suppliers, Microsoft and Infor, are constantly updating their product portfolio, at the same time they change prices and terms for reselling their solutions. In particular Microsoft has introduced some changes regarding their ERP solutions that may have a negative impact on Columbus' external software revenue. We expect that sale of perpetual licenses will continue to decline, while cloud revenue will increase.

Columbus' main goal for 2019 is to achieve organic growth through selling the 9 Doors to Digital Leadership®. We will continue to have a strong focus on developing and selling our ERP-services and solutions while extending our portfolio with new solutions that address both our customers' demands, our existing markets as well as new markets beyond ERP.

Continue Columbus2020 execution

We are now entering the fourth year of the Columbus2020 strategy. In 2019, we will focus on executing the next steps in the strategy with focus on:

- Improve customer loyalty
- Mature and develop the 9 Doors to Digital Leadership® and continue to develop our Go-To-Market process
- Merge and improve project process methods, including iStone
- Continuously improve quality in delivery
- Roll out global Employee Value Proposition and people programs

Executing the Stronger Together program

The integration of iStone will continue to be a major focus for Columbus in 2019. The objective is that by 1 January 2021 Columbus and iStone will operate 100% as one company. We have already taken a major step in that direction by integrating the iStone brand to Columbus and launching an updated brand identity and value proposition displaying our combined strengths.

Stronger together

In 2019, we will focus on executing the Stronger Together Program, implying some of the following objectives:

- Synchronize HR Cycle, including common Business Objectives framework and compensations models
- Process Excellence, comprising common processes across value streams and common project tools and ITSM solution
- Utilizing and expanding Columbus Global Delivery Capacity
- Common website and marketing systems

The Stronger Together program is organized via two workstreams "Growth" and "Efficiency" across Columbus. We expect to continue to see strong value of the integration during the year.

Financial outlook

We see a good order intake during Q1 2019 and expect a good start of 2019.

Management priorities for 2019 in summary

- Execute the Columbus2020 strategy
- Integration of iStone
- Grow organically with the 9 Doors to Digital Leadership®
- Recovery of the US Business

Recovery of our US Business

During 2018, the US business further adjusted cost level to compensate for the decline in sales. Unfortunately, the US Business did not succeed in growing sales during 2018 and closed 2018 with a decline in revenue. However, with an increase in EBTIDA.

We expect a continued decline in revenue and EBITDA during the first half of 2019 with a slow turn around in second half of 2019. We believe we have the right team in the US with many highly skilled individuals. However, as the turnaround has not materialized as expected, we are in the process of hiring a new local General Manager.

IFRS 16 impact

IFRS 16 "Leasing" is expected to have an impact on EBITDA of DKK 36m. This will impact the expected EBITDA margin of 1.7 percentage points. Profit before taxes will be slightly negatively impacted by DKK -0.2m. The guidance for 2019 and onwards are inclusive the IFRS 16 impact.

Specific targets for 2019

- Revenue in the level of DKK 2bn
- EBITDA in the level of DKK 240m
- Columbus Software in the level of DKK 110m
- 10% dividend on nominal share capital

Expected integration cost of DKK 5-10m in relation to integration of iStone and HiGH Software are included in the expectations to EBITDA in 2019.

Long-term targets for 2021

Columbus has updated the long-term guidance for the next three years.

Reach average revenue growth of 3-5% per year
Columbus will continue to grow organically through the execution of the 9 Doors to Digital Leadership®. Our ambition is to grow the business at a compounded average growth rate of 3-5% each year.

Reach EBITDA margin of 13%
In 2018 Columbus realized an EBITDA of DKK 171.4, a margin of 9.1%. Adjusted for the IFRS 16 impact, the EBITDA margin was realized at 10.8% in 2018.

Columbus strives to reach an EBITDA margin of 13% in 2021.

Increase Columbus Software revenue
We intend to continue the progress with Columbus Software. We will increase the revenue from Columbus Software through accelerating our own product development and by acquiring software that supports our strategy.

By extending our offerings, we will be able to expand into new markets and cross and upsell to existing markets.

Increase recurring revenue
In 2018 recurring revenue was 23% of total revenue. Columbus maintains the long-term ambition to reach 25% recurring revenue of total revenue.

Dividend 10% payout
Columbus dividend policy is to pay out 10% dividend of nominal value each year.

Risk management

As a global company operating in a continously changing environment, Columbus is exposed to a number of commercial and financial risks. Consequentely, it is essential for the Company to ensure that risks are constantly identified, monitored and controlled in order to reduce potential negative impact on growth, activities and results.

As Columbus has grown and developed over time, focus on risk management has increased and become an integrated part of the Group's business actitivities. By constantly monitoring and mitigating risks, Columbus aims to reduce risks to an acceptable level.

The Executive Board is responsible for the ongoing risk management and continously considers and reviews key risks. Risk management is reported to and discussed with the Audit Committee at committee meetings during the year.

Once a year, a formalized updated risk assessment, including measures to mitigate risks, is reported to the Board of Directors for approval.

The Board of Directors has the final responsibility for the Group's risk management, whereas the Audit Committee supervises compliance with the framework determined by the Board of Directors and the Executive Board.

Commercial risks

Columbus' potential to realize the Company's strategic and operational objectives is exposed to a number of commercial risks, such as access to Microsoft's products, ability to develop new solutions and products, the ability to adapt to market changes, project and contract risks, customer dependency and employee dependency.

The objective of risk management is to support the achievement of the strategic and operational objectives.

Financial risks

Due to Columbus' international activities, investments and financing, the Group's earnings and equity are impacted by changes in currency rates, interest rates, liquidity and credit risk.

It is the Group's policy to identify and cover these risks in order to reduce the potential negative impact on growth and results. The Parent Company controls the financial risks in the Group centrally and coordinates the Group's liquidity management, including provision of capital and placement of excess liquidity pursuant to the "Finance policy and financial risk management guidelines" determined by the Board of Directors and the Executive Board.

The "Finance policy and financial risk management guidelines" cover the Group's currency, investment, financing and credit risks in relation to financial counterparts. The overall objective of the financial risk management is to reduce the sensitivity of earnings to fluctuations in economic trends.

These guidelines are updated and approved by the Board of Directors annually, based on a low risk profile so that currency and interest risks only emerge in commercial conditions.

Internal controls and risk management related to financial reporting are described on page 28 under "Corporate Governance" and are included in the Company's Statutory Corporate Governance statement, cf. section 107b of the Danish Financial Statements Act which is available on Columbus' website.

On page 26 some of the risk issues considered most significant to the Group are described in no specific order.

It is essential for the Company to ensure that risks are constantly identified, monitored and controlled in order to reduce potential negative impact on growth, activities and results.

Risk issues and actions

Risk issue	Risk mitigation
Access to Microsoft's products	Columbus' business foundation is to a wide extent based on the development and implementation of customer solutions based on Microsoft Dynamics. Access to the onward sale of Microsoft Dynamics is therefore of crucial importance to the implementation of Columbus' business strategy and Columbus works with focus on retaining the good relationship and the high partner status with Microsoft.
Software development and product innovation	The Company's future success, including the opportunities to ensure growth, depends on the ability to continue improving existing solutions, as well as developing new solutions and products adapted to the latest technology and the customers' needs. Columbus has many years of experience developing industry-related solutions and has chosen to separate development activities into a separate company, To-Increase. This will focus resources and make a broader sale of these products possible.
Project and contract risks	It is crucial to Columbus' services projects to be able to execute high quality at the agreed time and price. Risks are attached to the Sale, Analysis and Design, Development, Implementation and Commissioning phases. Columbus has carefully defined the individual phases, activities, and tools contained therein, with a view to active risk management and effective implementation. By focusing on the sales phase, we are striving towards a majority of repetition in solving the customer problems and the procedures by which these problems are managed. Through project reviews and ongoing analyses before, during, and after initiation, Columbus aims that fixed price contracts are entered into with the correct pricing.
Insurance	The Company's insurance policy sets the overall guidelines for the scope and management of the Company's risks in terms of insurance. Columbus has taken policies for the compulsory and relevant insurance, which arise ordinarily purchased by comparable companies. Included is insurance for operating material and inventory. Management assessments indicate that the necessary and relevant precautions have been taken to thoroughly cover insurance issues. Columbus' insurance policy is revised annually in consultation with the Board of Directors.
Customer dependency	Columbus is dependent on constant customer intake and on maintaining customer relations. The market is generally characterized by strong prize competition. Columbus is mitigating the risk by executing the Columbus2020 strategy with continuous improvement of customer success, digital leadership and constant development of skilled employees to ensure high quality in delivery of projects and services.
Employee dependency	Columbus is a knowledge-intensive company and in order to continuously offer optimal solutions, develop innovative products, and ensure satisfactory financial results, it is necessary to attract, retain and develop the right employees. Columbus has the goal of being an attractive workplace and achieves this through incentive programs, attractive working conditions, employee and manager development, and placing great importance on the company culture.

Risk issue	Risk mitigation
Foreign exchange rate risk	A considerable part of Columbus' revenue is invoiced in currencies other than DKK and EUR. Other currencies are mainly GBP, RUB, NOK, USD, INR and SEK. In relation to currency risk, Columbus strives to match expenses against income and liabilities against assets. With the acquisition of iStone 2 January 2018 the currency risk towards SEK increased significantly. This is due to the fact that revenue and EBITDA from SEK will increase significantly. The agreed contingent payment to the previous shareholders of iStone is expected to be SEK 200m to SEK 368m. This will have significant impact on currency adjustments, however, it has been decided to hedge this particular currency risk by a simple forward contract. With the expansion of the Indian Global delivery center our currency risk on INR has increased significant. An increase in INR of 10% will impact EBITDA negatively by approximately DKK 7m. Financial instruments in foreign currencies are all essentially composed of receivables and debt, as well as bank deposits. Intercompany financing is normally denominated in the reporting currency of the subsidiary. Consequently, currency risk exists on intercompany balances. The group has not entered into any forward exchange transactions.
Credit risk	The credit risk is the risk of a counterpart neglecting to fulfill its contractual obligations and in so doing imposing a loss on Columbus. The credit risk is monitored locally and centrally. The Group's credit risk originates mainly from receivables from the sale of products and services as well as deposits in financial institutions. Receivables from the sale of products and services are split between many customers and geographic areas. Thus, the credit risk is widely spread. A systematic credit rating is incorporated in the Group's internal guidelines.
Cash flow risk	Columbus ensures the necessary cash flow through cash management and tight local monitoring of cash flow in subsidiaries.
Ability to adapt to market changes	With the rapid changes in the IT market in general; IoT, digitalization, cloud, etc. there is a risk of losing relevance with our customers. With the Columbus2020 strategy, including Digital Leadership, Customer Success, Process Excellence and Our People, Columbus strives to turn this risk into new business opportunities.
IT and GDPR	Key IT risks are unauthorized attacks and operational dependency and potential non-compliance to personal data regulation including General Data Protection Regulations (GDPR). To mitigate these risks Columbus is continuously improving processes and controls in the organization. Columbus is in the process of adopting the ISO 27001 and 27002 framework and uses ITIL v3 standards for IT operations to follow a best practice approach to IT service management.
Integration of iStone	The ongoing integration of iStone AB constitutes a key risk. To mitigate this risk, Columbus has established the Stronger Together integration program containing clear targets and deadlines and monthly follow-upon progress.

Corporate governance

Columbus is committed to follow the Danish Recommendations on Corporate Governance of 23 November 2017, issued by the Danish Committee on Corporate Governance. Accordingly, the Board of Directors continuously considers the updated recommendations in order to determine which are relevant for Columbus, considering the size, ownership structure, nature of the Company and the Company's business model.

Each year, in connection with the Annual Report, Columbus A/S publishes the statutory report on Corporate Governance, cf. Section 107b of the Danish Financial Statements Act.

Columbus complies with 35 recommendations, does not comply with 10 recommendations and partly complies with two of the recommendations. Deviations are all explained in the statutory report on Corporate Governance for 2018 according to the "comply or explain principle".

Management and Board Committees

The shareholders have the final authority over the company and exercise their right to make decisions at the Company's General Meetings.

Columbus has a unified management structure consisting of a Board of Directors and an Executive Board. The two bodies are separate and no one serves as members of both.

Board of Directors

The Board of Directors is responsible for the overall management of the Company on behalf of the shareholders and supervises the Company and ensures adequate management of the Company in compliance with legislation and Articles of Association. Together with the Executive Board, the Board of Directors determines goals and strategies, and approves budgets and action plans.

The Board of Directors in Columbus A/S consists of four members: Ib Kunøe, Sven Madsen, Peter Skov Hansen and Karina Kirk. The Board members are elected for one year at a time with the option for re-election.

The number of board members is considered adequate by the Board of Directors, and likewise the composition of the Board is considered appropriate in terms of professional experience and relevant special competencies to perform the tasks of the Board of Directors. Two out of the four members elected by the General Meeting are independent members, and none of the Board members participates in the day-to-day operation of the Company.

The Board of Directors holds at least nine meetings a year according to a meeting schedule planned one year in advance on the Board meeting in December. Extraordinary Board meetings are held according to need. In 2018, 12 Board meetings were held. All Board members attended all meetings.

The Executive Board participates in Board meetings in order to ensure a direct dialogue and that the Board of Directors is well informed about the operation of the Company.

In 2018, the Board of Directors focused on the following areas:

- Financial reporting
- Capital and share structure
- Organization and activities
- Strategy
- Risk management and internal controls
- Budgets

For more details about the members of the Board of Directors and the members of the Audit Committee, see "Board of Directors and Executive Board" on page 38.

Executive Board

The Board of Directors appoints the Executive Board and determines the terms of employment. The Executive Board is responsible for the day-to-day operation of Columbus, including strategy, budgets and targets for the Company.

The Executive Board consists of two members: CEO & President, Thomas Gregers Honoré and Corporate CFO Hans Henrik Thrane.

The Board of Directors has adopted Rules of Procedure for the Executive Board, which describe the overall tasks and responsibilities of the Executive Board, reporting to the Board of Directors and authorities of the Executive Board.

Audit Committee

The purpose of the Audit Committee is to supervise accounting, audit, risk and controlling issues. The Audit Committee consists of Peter Skov Hansen (Chairman) and Sven Madsen. One of the two members of the Audit Committee (Peter Skov Hansen) is considered an independent member.

The tasks of the Audit Committee have been determined in a Terms of Reference, which have been approved by the Board of Directors. The Terms of Reference are available on the Company's website. The Committee determines the meeting frequency. In 2018, five meetings were held. Both Audit Committee members attended all meetings.

In 2018, the Audit Committee focused on the following areas:

- Audit planning
- Financial reporting and compliance
- Risk management and internal controls

Evaluation of performance

The Chairman of the Board is responsible for conducting an annual evaluation of the competencies of the Board of Directors, the cooperation between the Board of Directors and the Executive Board, and the performance and results of the Board of Directors and the Executive Board, including the areas operation, finance, strategy, organization and management.

The individual Board and Executive Board members anonymously complete an online survey. The results of the evaluation are presented and discussed at the subsequent Board meeting.

Based on the evaluation, which was conducted in 2018, it was concluded that the work of the Board of Directors and Executive Board is efficient, and that the composition of the Board of Directors is appropriate in terms of professional experience and relevant special competences to perform the tasks of the Board of Directors.

Remuneration

The Company has adopted a remuneration policy, including guidelines for incentive programs for members of the Board of Directors and the Executive Board. The overall objective with Columbus' remuneration policy is to ensure that Columbus will constantly be able to attract, motivate and retain qualified members of the Board of Directors and the Executive Board. Thus, the total remuneration must be competitive in terms of level and composition.

In order to encourage common interests for the company's shareholders, Board of Directors and the Executive Board and to meet short-term as well as long-term goals, Columbus considers it appropriate to set up incentive programs for the Executive Board and the Board of Directors in Columbus in addition to the fixed remuneration. Columbus also considers incentive programs a considerable competitive parameter to attract and retain the best executives.

Bonus schemes, performance contracts or similar schemes for the Executive Board are used in order to achieve short-term goals. Share-based instruments to the Board of Directors and Executive Boards as well as other incentive programs to the Executive Board are used to ensure achievement of long-term goals and to create common interests for Columbus' shareholders and management.

The guidelines, which are available on the Company's corporate website, were adopted by the general meeting in April 2018.

Board of Directors

Members of the Board of Directors receive a fixed annual basic remuneration, which is approved at the Annual General Meeting for the previous year when approving the Annual Report. The Chairman of the Board receives triple basic remuneration. The Chairman of the Audit Committee receives an additional remuneration of 50% of the basic remuneration, and other members of the Audit Committee receives an additional remuneration of 25% of the basic remuneration.

In addition, the Board of Directors may allot share-based instruments, if the Board of Directors considers it expedient in order to encourage common goals for Columbus' management and shareholders. The Board of Directors were granted a warrant program in July 2016 and in December 2017.

The basic remuneration fees are assessed annually, and it is ensured that the remuneration of the members of the Board of Directors is in accordance with the general practice in the market and reflects the efforts required.

Executive Board

The Executive Board members receive a fixed remuneration. In addition to the fixed remuneration, other benefits such as pension contribution, company car, insurances and other normal benefits related to local conditions may be agreed to cover the Executive Board members' daily performance.

In addition to the fixed remuneration, incentive programs may be allotted. Incentive programs may comprise any form of variable remuneration, including share-based instruments such as share options, warrants and phantom shares as well as non share-based bonus schemes - both ongoing, single-based and event-based. The Company does not pay severence pay exceeding two years of remuneration. Once a year the remuneration is assessed based on performance. The Board of Directors decides the remuneration of the Executive Board.

For details about the total remuneration paid to the Board of Directors and Executive Board, please see note 5 on page 63.

Diversity

Pursuant to Section 99b of the Danish Financial Statements Act, the Board of Directors have set targets for the gender distribution in Columbus. The targets are reviewed annually.

Columbus A/S has chosen to set target figures, establish policies and report on target figures and policies only for the companies in the Group that individually meet the criteria for being subject to the rules, cf. The Danish Business Authority's "Guidelines on target figures, policies and reporting on the gender composition of management". Only the parent company, Columbus A/S meets the criteria, and hence only Columbus A/S is covered by the statutory report, cf. Section 99b of the Danish Financial Statements Act of March 2016.

In 2017, The Board of Directors determined the following targets for the gender distribution in Columbus:

- To increase the proportion of women in the Columbus Board of Directors to 20%, equivalent to one woman, by the end of 2018.
- To increase the proportion of women at management level in Columbus A/S to a minimum of 20% by the end of 2020.

At the Annual General Meeting in April 2018, a female Board member was elected, and consequently, the Board of Directors in Columbus now consists of three male Board members and one female Board member. Thus, the target to increase the proportion of women in the Board of Directors to 20% by the end of 2018 has been obtained.

According to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management from March 2016, a distribution of 25/75% in a company with four Board members is considered to be an equal gender distribution.

The Board of Directors has decided not to increase the target for the proportion of women in the Board of Directors.

In 2017 the gender distribution at management level in Columbus A/S constituted 14.8% women and 85.2% men. At the end of 2018, the percentage of women at management level had increased to 16.67%.

Columbus maintains the future target to obtain a minimum of 20% female managers in Columbus A/S by the end of 2020.

Internal controls and risk management related to financial reporting

The intention of Columbus A/S' internal control system is to eliminate or mitigate significant risks identified in the financial reporting, and that material errors and inconsistencies in the financial reporting process are identified and corrected.

Overall control environment

The Board of Directors has the overall responsibility for Columbus A/S' internal controls and has approved Group policies related to internal controls, standards and procedures for financial reporting.

The Board of Directors has appointed the Audit Committee to assist the Board of Directors with supervising the financial reporting process and monitoring the effectiveness of the internal controls and risk management system.

The responsibility for maintaining efficient internal controls and a risk management system in connection with the financial reporting lies with the Executive Board which in cooperation with the Board of Directors annually evaluate the control system of the Group. Responsibilities, authorities and procedures relating to essential areas are defined in a Group policy which is approved by the Board of Directors.

Risk assessment

The Board of Directors and the Executive Board assess the risks that Columbus A/S is exposed to, including risks related to the financial reporting process annually.

On an ongoing basis, the Audit Committee monitors the effectiveness of the internal controls for financial reporting and reviews and discusses material and relevant changes to accounting principles, including implementation of these.

Control activities and monitoring

All companies in the Columbus Group report financial and operational data to the head office on a monthly basis. The reporting includes comments to the financial and business development. Based on this reporting the Group's financial statements are consolidated and reported to the Group management. As part of this process, monthly business reviews and controlling meetings are held, and control visits to all operational companies in the Group are performed on an ongoing basis in order to ensure that material errors in the financial reporting are discouraged, discovered and corrected.

The need for an internal audit is considered annually by the Audit Committee. However, due to the size of the Company and the established control activities the Audit Committee so far considers it unnecessary to establish an independent internal executive audit board.

Information and communication
Columbus has implemented a formalized reporting process for monthly, quarterly and annual reporting as well as for budgeting and forecasting.

Columbus' reporting manual and other reporting instructions are updated on an ongoing basis. All updates are communicated to the global finance organization. All employees have access to reporting manuals and instructions.

Whistleblower function
As part of the risk management, Columbus has established a whistle-blower function for expedient and confidential notification of possible or suspected wrongdoing. So far, no cases have been reported through the whistleblower scheme.

Further information

The statutory report on Corporate Governance for 2018, cf. section 107b of the Danish Financial Statement Act is available at: www.columbusglobal.com/Investor/Governance and CSR

The statutory report on gender distribution for 2018, cf., section 99b of the Financial Statements Act is available at: www.columbusglobal.com/Investor/Governance and CSR

Guidelines for incentive programs are available at:
www.columbusglobal.com/Investor/Governance and CSR.

Corporate social responsibility

Columbus' Corporate Social Responsibility report is prepared in accordance with the Danish Financial Statements Act, section 99 a

1

Transparency and credibility

In Columbus we are committed to being socially and environmentally responsible as well as comply with all relevant laws, standards and guidelines. We maintain a strong corporate governance structure and communicate openly and transparently about our CSR efforts, which are primarily concentrated on human rights, anti-corruption, labour, social commitment and responsible tax practices in the countries we work in as well as environment and climate.

2

Human rights and anti-corruption

Columbus' goal is to influence that our employees and all our business partners respect the Universal Declaration of Human Rights.

To ensure that we have set up a Code of Conduct, to make our position clear to our stakeholders. Our Code of Conduct is our general ethical guidelines for business conduct to ensure that we in Columbus on a global level are dedicated to promote ethical business practices and protect Columbus against corruption and other unethical business behavior, which we believe is incompatible with the operation of a healthy business.

All employees in Columbus have been carefully selected on the basis of professional competencies without regard to religion, race, skin color, gender, age, disability or sexual or political orientation. We regard multiplicity as a strength and we will not tolerate discrimination or harassment.

3

Labour

Columbus' key asset is our employees. Our success depends on our ability to attract and keep the best employees in our industry. It is crucial that we not only comply with human rights, but on top of that ensure attractive working conditions for our employees, in particular in regards to salary, wellbeing and competence development. This applies to all our subsidiaries worldwide. We have decided that our employee's working conditions are the core focus of our CSR effort.

Columbus is a member of the United Nations Global Compact to show internally and externally that Columbus supports and enacts ten general principles of corporate social responsibility.

These principles are based on internationally recognized conventions on human rights, labour standards, environment and anti-corruption.

The CSR report is available at our website: www.columbusglobal.com/Investor/Governance and CSR/CSR

4

Social commitment

Columbus is a global business that operates locally and in close proximity with our customers. We believe it is essential that we are involved in community and charitable activities and therefore we have decided to emphasize these initiatives in our CSR report. Columbus is committed to giving back to our communities. We encourage and support our employees' desire to use their time and talent for charity work. Most of Columbus' subsidiaries engage in local charity.

5

Environment and climate impact

Columbus is a people business. Being mostly office based means that our business' impact on the environment is relatively small. However, Columbus continuously optimizes our offices in order to be energy-efficient and healthy working environments for our employees. Furthermore, we aim to minimize unnecessary travel by plane and instead promote and develop virtual meetings, which also improves the efficiency in our business.

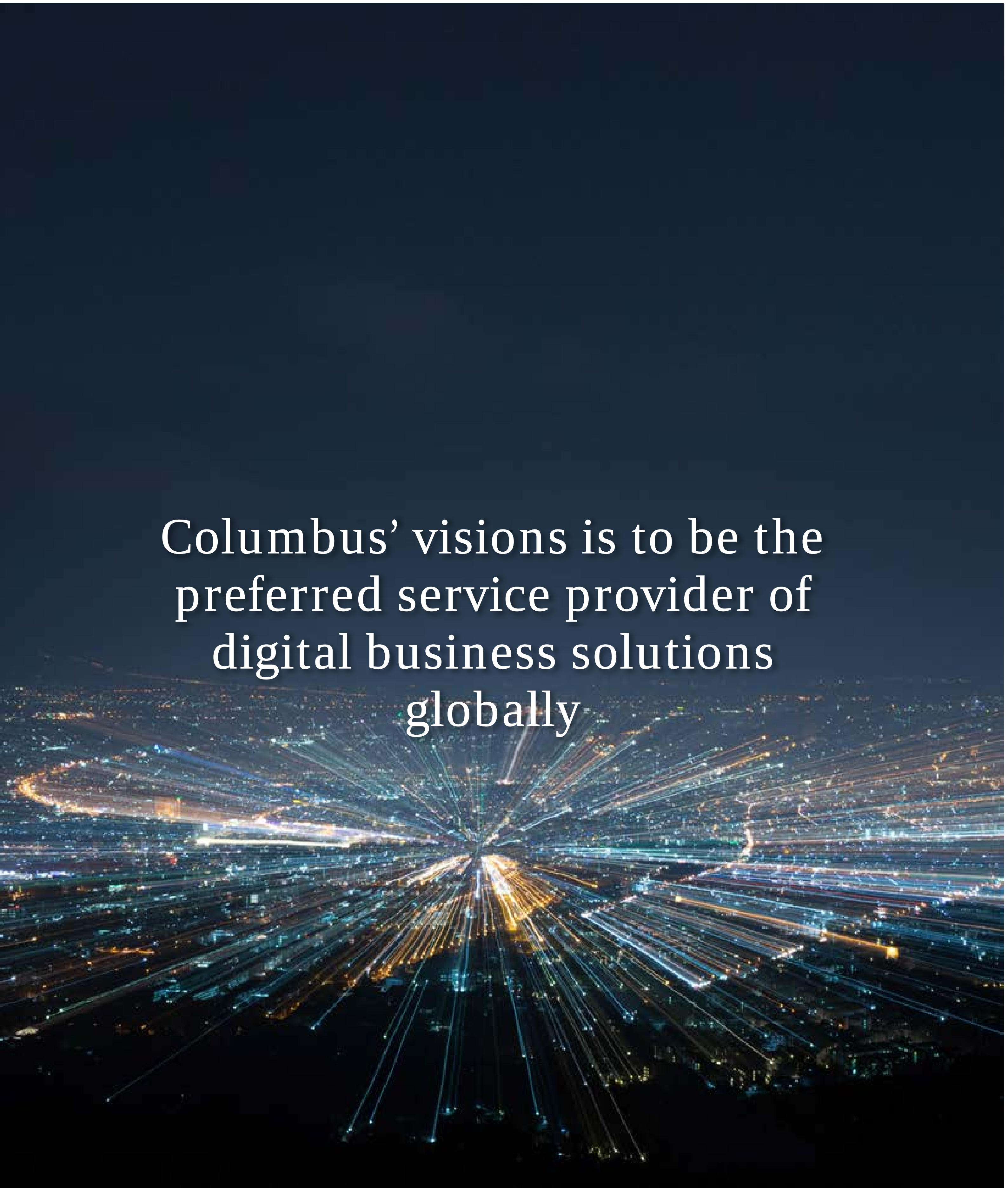
6

Our CSR focus in 2018

In 2018, we continued our focus on employee's well-being with special attention to ensuring a unified and high-learning curve across our organization.

Columbus Academy is our global virtual training setup which more than 400 employees have been enrolled to in 2018.

Employee-well being is a central focus in retaining our skilled people. In 2018, we implemented Heartbeat in our acquired companies while keeping the employee satisfaction at an average high score.


Columbus' visions is to be the preferred service provider of digital business solutions globally

Notifications to NASDAQ Copenhagen

2018		
1	2 January	Columbus and iStone join forces and become market leading in the Nordic region
2	9 January	Columbus acquires rental and lease management software company
3	15 March	Columbus Annual Report 2017
4	15 March	Columbus delivered growth in result after tax of 18% in 2017
5	16 March	Transactions by members of senior management and Board of Directors in shares issued by Columbus A/S and related securities
6	20 March	Transactions by members of senior management and Board of Directors in shares issued by Columbus A/S and related securities
7	23 March	Notice to convene Annual General Meeting
8	3 April	Columbus issues new shares as a consequence of the exercise of warrants
9	3 April	Subscription for shares by exercising of warrants
10	4 April	Capital increase registered - new articles of associations
11	24 April	Interim management statement for Q1 2018
12	24 April	Passing of Columbus Annual General Meeting and subsequent constitution of the Board of Directors
13	25 April	Amendment of Articles of Association
14	25 April	Incentive scheme
15	25 April	Transactions by members of senior management in shares issued by Columbus A/S and related securities
16	26 April	Amendment of Articles of Association
17	26 April	Transactions by members of senior management and Board of Directors in shares issued by Columbus A/S and related securities
18	23 August	Columbus A/S Interim Report 2018
19	23 August	Columbus delivers revenue growth of 52% in first half of 2018
20	7 November	Interim management statement for Q3 YTD 2018
21	28 November	Transactions by members of senior management and Board of Directors in shares issued by Columbus A/S and related securities
22	4 December	Financial calendar 2019

Financial calendar 2019	
Annual Report 2018	13 March 2019
Interim Management Statement Q1 2019	30 April 2019
Annual General Meeting	30 April 2019
Interim Report H1 2019	22 August 2019
Interim Management Statement Q3 YTD 2019	6 November 2019

Immediately following the publication, the notifications will be available on Columbus' website: www.columbusglobal.com

Group overview

Company	Country	Ownership by Columbus A/S, %	Columbus A/S' share of voting right, %	Average no. of employees
Columbus A/S	Denmark			310
Subsidiaries				
Western Europe				
R H ApS	Denmark	100	100	0
Columbus Norway AS	Norway	100	100	57
Columbus Global (UK) Ltd.	England	100	100	195
Omnica Ltd.	England	100	100	0
Cambridge Online Systems Ltd	England	100	100	0
To-Increase B.V.	Netherlands	100	100	151
To-Increase Holding	Netherlands	100	100	0
Columbus AB	Sweden	100	100	31
iStone Rego AB	Sweden	100	100	24
Columbus M3 Danmark ApS	Denmark	100	100	16
iStone Norge AS	Norway	100	100	3
iStone Switzerland SA	Germany	100	100	4
iStone Germany GmbH	Germany	100	100	10
Columbus Deutchland GmbH	Germany	100	100	1
iStone UK Ltd	England	100	100	23
iStone E-Business AB	Sweden	100	100	2
iStone Cross Commerce Norge AS	Norway	100	100	315
Columbus Sweden AB	Sweden	100	100	47
iStone Norge AS	Norway	100	100	11

Company	Country	Ownership by Columbus A/S, %	Columbus A/S' share of voting right, %	Average no. of employees
Eastern Europe				
AO Columbus	Russia	100	100	152
000 Columbus Global	Russia	100	100	7
Columbus Global Ukraine	Ukraine	100	100	1
Columbus Global Kazakhstan	Kazakhstan	100	100	2
UAB Columbus Lietuva	Lithuania	100	100	58
Columbus Eesti AS	Estonia	51	51	76
Columbus Global s.r.o	Czech	100	100	22
iStone Poland Sp.z.o.o.	Polen	100	100	17
North America				
Columbus US Inc.	USA	100	100	209
iStone North America Inc	USA	100	100	6
Asia				
Columbus Global Services India Pvt.	India	100	100	61
iStone China Ltd	China	100	100	2
Rest of world				
iStone Iberia SA	Spain	100	100	22
iStone Chile SpA	Chile	100	100	6

Note: The overview only contains the Group's operative companies.
** 161 employees in Columbus Global Services India Pvt. Ltd. are allocated to the other individual subsidiaries.
*** iStone Sapience which was divested as of 30 June 2018 had an average no. of employees of 4.

The Board of Directors and Executive Board

Hans Henrik Thrane
Corporate CFO
Member of Executive Board

Ib Kunøe
Chairman
of the Board

Sven Madsen
Deputy Chairman of the Board
Member of the Audit Committee

Karina Kirk
Member of the
Board

Peter Skov Hansen
Member of the Board
Chairman of the Audit
Committee

Thomas Honoré
CEO & President
Member of Executive Board

Board of Directors

Ib Kunøe
Born 1943
Chairman of the Board
Member of the Board since 2004, re-elected in 2018, term expires 2019
Holds an HD Graduate Diploma in Organisation and Management as well as a background as a professional officer (major).

Does not fulfill the Committee of Corporate Governance definition of independency

Chairman of the Board for:
Atea ASA, Consolidated Holdings A/S, Netop Solutions A/S, X-Yacht A/S, Calum Bagsværdlund K/S, Komplementarselskabet Åbyhøj ApS, Sparresholm Jagtselskab ApS and Freemantle Ltd.

Member of the Board for:
Atrium Partner A/S

Special competencies:
Company management, including management of IT companies, development of and dealing with companies.

Sven Madsen
Born 1964
Member of the Board since 2007, re-elected in 2018, term expires 2019
CFO in Consolidated Holdings A/S
Member of the Audit Committee
Holds a Graduate Diploma in Financial and Management Accounting and an MSc in Business Economics and Auditing

Does not fulfill the Committee of Corporate Governance definition of independency

Chairman of the Board for:
CHV III ApS

Member of the Board for:
Atea ASA, Consolidated Holdings A/S, core:workers AB, core:workers Holding A/S, X-Yachts A/S, Netop Solutions A/S, Ejendomsaktieselskabet af 1920 A/S, DAN-Palletiser Holding A/S and DAN-Palletiser Finans A/S.

Special competencies:
General management, M&A, business development, economic and financial issues.

Peter Skov Hansen
Born 1951
Member of the Board since 2012, re-elected in 2018, term expires 2019
Completed State Authorized Public Accountant education in 1980, registered as non-practicing
Chairman of the Audit Committee

Fulfills the Committee of Corporate Governance definition of independency

Member of the Board for:
X-Yachts A/S, Netop Solutions A/S Topstykket A/S and Blue Control A/S.

Special competencies:
Business development and financial, accounting and tax related issues.

Karina Kirk
Born 1971
Member of the Board since 2018, term expires 2019
Head of Customer insights, Loyalty and Partners at Matas A/S
Owner of KIRK, Executive and board advisory
Holds a Master of Science in International Business Administration (1996), NYU Stern School of Business, MBA selected classes (1994), Executive, Board Leadership and Governance (2017)

Fulfills the Committee of Corporate Governance definition of independency

Special competencies:
General management, management of consulting companies, market and customer leadership, business development and business transformation

Executive Board

Thomas Honoré
Born 1969
Joined as CEO & President in May 2011

Hans Henrik Thrane
Born 1968
Joined as Corporate CFO in July 2010

Direct and indirect ownership in Columbus A/S	Number of shares	Changes in fiscal years, shares	Total number of warrants 1 January 2018	Number of warrants exercised in 2018	Number of warrants granted in 2018	Total number of warrants 31 December 2018
Consolidated Holdings A/S	56,538,055	0				
Board of Directors						
Ib Kunøe	180,000	0	270,000	0	0	270,000
Sven Madsen	588,529	0	360,000	0	0	360,000
Peter Skov Hansen	260,000	40,000	270,000	120,000	0	150,000
Karina Kirk		0	90,000	0	0	90,000
Executive Board						
Thomas Honoré	1,536,197	0	720,000	0	1,050,000	1,770,000
Hans Henrik Thrane	948,800	270,000	720,000	270,000	1,050,000	1,500,000

Shareholder information

Shareholder information

Columbus A/S's shares have been listed on NASDAQ Copenhagen since May 1998 and have ID code DK0010268366 and abbreviated name COLUM. Columbus A/S is included in the Mid Cap index.

At the end of 2018, the price of the Columbus A/S share was DKK 12.68, while at the end of 2017 it was DKK 14.80 – a decrease of 14.32% (2017: +38.32%)[4].

In 2018, a total of 34.4m shares were traded corresponding to 28.2% of the total number of shares at the end of 2018 (2017: 48.5%). The average revenue per business day in 2018 was DKK 2.1m (2017: DKK 3.19m)[4].

The Company's market value amounted to DKK 1,544m at the end of 2018 against DKK 1,774m at the end of 2017.

Share capital

At the end of 2018 the share capital in Columbus A/S comprised of 121,787,132 shares at DKK 1.25 corresponding to nominal share capital of DKK 152,233,915 (2017: 119,865,632 shares at DKK 1.25, corresponding to nominal share capital of DKK 149,832,040).

Each share provides one vote. The shares are marketable securities and no restrictions have been set for the shares' negotiability. The shares must be named and noted in the Company's share register.

Ownership

At the end of 2018 Columbus A/S had 6,439 registered shareholders, who together owned 94.73% of the total share capital.

Members of Columbus A/S' Board of Directors and Executive Board owned in total 49.31% of the share capital at the end of 2018.

Dividend

The Company's dividend policy is to distribute dividend of minimum 10% of the nominal share capital each year, corresponding to DKK 0.125 per share. Besides, the Board of Directors may decide to propose to the General Meeting that this dividend be supplemented with an extraordinary dividend for a specific fiscal year.

However, it is decisive for Columbus to reduce debts and improve financial resources in order to be able to seize any positive development opportunities for continued strengthening of the long-term value creation for the Company. The Board of Directors may therefore decide to deviate from the dividend policy and propose at the General Meeting that dividends are not distributed for a specific fiscal year.

Share price development in 2018[4]:

The following shareholders have informed Columbus A/S of possession of 5% or above of the share capital:

	No. of shares	%
Consolidated Holdings A/S	56,538,055	46.42
Ib Kunøe	180,000	0.15
Total	**56,718,055**	**46.57** *

* Due to shareholder voting agreements, Consolidated Holdings A/S holds 47.39% of the voting rights.

[4] Source: NASDAQ Copenhagen A/S

The Board of Director proposes that the Annual General Meeting adopts ordinary dividends to shareholders of 10% of the nominal value in line with the dividend policy.

Investor Relations

Columbus endeavors to provide a high and consistent level of information to our shareholders and other interested parties. A company goal is to have an open and active dialogue with share-holders, share analysts, the press and the public in order to ensure the necessary insight and thereby the best possibility to evaluate the Company. This will be obtained in accordance with rules and legislation for companies listed on NASDAQ Copenhagen and in accordance with Columbus' Investor Relations policy. Communication with interested parties takes place via the ongoing publication of notifications, investor presentations and individual meetings.

The website www.columbusglobal.com is the primary source of information for interested parties. It is updated constantly with new information about Columbus' results, activities and strategy. At the Company's website, it is possible to subscribe to Columbus' e-mail service and thereby receive company announcements, financial statements and investor news via e-mail.

Columbus hosts a conference call after publication of financial statements. The call and presentations can be followed directly via the Company's website.

Analysts

The Danish share analysts, Aktieinfo and ABG Sundal Collier cover Columbus, and four times a year they publish a share analysis with recommendations about the Columbus share based on the Company's results and factors that may influence the Company's business and future share price development.

Contact

The Corporate CFO handles the daily contact with investors and analysts:

Columbus
Lautrupvang 6
2750 Ballerup
Tel: +45 7020 5000
Contact person: Corporate CFO,
Hans Henrik Thrane
Email: hht@columbusglobal.com

General Meeting

The Company's Annual General Meeting will be held on 30 April 2019 at 10.00 a.m. on the Company's address at: Lautrupvang 6, 2750 Ballerup.

Development in share capital

Development in share capital in Columbus A/S since 1 January 2018	**Capital increase (DKK nom.)**	**Total share capital (DKK nom.)**	**No. of shares of DKK 1.25 (nom.)**
Capital increase 3 April*	2,401,875	152,233,915	121,787,132

* Capital increase as a consequence of the exercise of warrants by members of the Board of Directors, Executive Board and a number of senior executives. The warrants were granted as part of the Company's warrant program. The subscription price for the new shares is DKK 5.45 for 720,000 shares and DKK 7.84 for 1,201,500 shares.

Statement by management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of Columbus A/S for the financial year 01.01.2018 - 31.12.2018.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018 and of the results of their operations and cash flows for the financial year 2018.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Ballerup, 13 March 2019

Executive Board

Thomas Gregers Honoré
CEO & President

Hans Henrik Thrane
Corporate CFO

Board of Directors

Ib Kunøe
Chairman

Sven Madsen
Deputy Chairman

Peter Skov Hansen

Karina Kirk

Independent Auditors Reports

To the shareholders of Columbus A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of Columbus A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Columbus A/S for the first time on 20.03.1998 for the financial year 1998. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 21 years up to and including the financial year 2018.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2018 – 31.12.2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill and other intangible assets	How the matter was addressed in our audit
Refer to Note 11 in the consolidated financial statements. At 31 December 2018 the carrying value of the Group's goodwill was DKK 933.9 million and other intangible assets was DKK 71.1 million. Annually, an impairment test is performed in relation to goodwill and other intangible assets with indefinite useful economic lives. At 31 December 2018, the CGU "Value Added Reseller (VAR)" and "Independent Software Vendor (ISV)" had a carrying value of DKK 933.9 million of which DKK 852.0 million related to VAR and DKK 81.9 million related to ISV. The determination of the recoverable amount was based on the individual CGU and the Capital Asset Pricing Model (CAPM model). Significant judgement is required by Management in determining value-in-use including cash flow projections based on financial budgets for 2019 and financial forecasts for 2020-2022, discount rate and growth rate in the terminal period. Intangible assets are considered to be a key audit matter due to the judgement associated with determining the recoverable amount combined with the significance of the balance of goodwill and other intangible assets to the financial statements.	In assessing the valuation of goodwill and other intangible assets, we obtained and evaluated Management's future cash flow forecasts for each Cash Generating Unit ("CGU"), and the underlying process by which they were drawn up including the mathematical accuracy of the cash flow models, and reconciled future growth, investment and margin assumptions to the latest Board approved budgets and financial forecasts. For each CGU, we evaluated the appropriateness of key market related assumptions in Management's valuation models including discount rates and terminal growth rates. We assessed the reasonableness of Management's future forecasts of growth, investment and margin included in the cash flow forecasts in light of the historical accuracy of such forecasts and the current operational results. We independently calculated a weighted average cost of capital by making reference to market data and verified the long term growth rate to market data. In assessing the level of headroom in respect of these CGUs, we performed a downside sensitivity analysis around the key assumptions, using a range of higher WACC and lower cash flows, and we concluded that headroom was maintained under these scenarios.
Revenue recognition, including the valuation and recognition of contract assets	**How the matter was addressed in our audit**
Refer to Notes 3, 4 and 15 in the consolidated financial statements. At 31 December 2018 the carrying value of the Group's contract assets amounted to a net asset of DKK -5.4 million or recognised contract assets of DKK 25.3 million and contract liabilities of DKK 30.7 million corresponding to the contract value of work in progress of DKK 66.1 million and progress billing of DKK 71.6 million. Recognised consultancy revenue based on the stage of completion method amounted to DKK 1,467.6 million in 2018. Significant judgements are required by Management in determining the stage of completion and estimated profit on each project including assessment of provisions for specific project risks.	We tested the relevant internal controls for contract assets primarily relating to contract acceptance and terms, change orders, monitoring of project development, costs incurred, estimated costs to completion and assessment of provisions for specific project risks. From management we obtained an overview of the Group's consultancy contracts in progress at 31 December 2018 as well as completed contracts during the year. Based on project risk and materiality, we selected a sample of projects for which we obtained the underlying contracts including change orders, original budget, project reports including estimates of costs to completion and overview of the risk and corresponding risk provision per contract.

Due to the judgement associated with determining the stage of completion and estimated profit including the specific risk provision combined with the significance of revenue recognised and the balance to the financial statements as a whole, the valuation and recognition of contract assets are considered to be a key audit matter.	For the selected contracts, we tested and challenged Management's assumptions for determining stage of completion including their assessment of risk provisions and estimated profits. The testing involved interviews with project controllers and project management as well as discussions and assessment of the contract terms, associated project risks and final acceptance. Furthermore, we performed reviews of completed contracts including assessment of project risk and development and utilisation of risk provisions to assess the completeness and accuracy of Management's assumptions applied throughout the contract period.
Capitalisation practices and valuation of development projects	**How the matter was addressed in our audit**
Refer to Note 11 in the consolidated financial statements At 31 December 2018, the net book value of the Group's completed development projects was DKK 67.5 million and development projects in progress was DKK 11.7 million. Management is to exercise judgement in determining which costs meet the IAS 38 criteria for capitalisation, perform an annual impairment test and review whether indicators of impairment have been identified. Software projects can have complex development cycles, often over many phases, spanning one to two years, or more. New technology also brings a risk of impairment of legacy systems. The significance of judgements and complexity involved has caused us to identify this key audit risk.	We have tested the relevant internal controls related to the capitalisation of internally developed intangible assets and, when indicators of impairment were identified, their valuation, including the assessment of useful economic lives. We have tested the amounts capitalised in the period to assess whether this was performed in accordance with the requirements of IFRS. We also challenged management's assessment as to whether development projects in progress were still expected to deliver sufficient positive economic benefits upon their completion. For completed development projects, we considered whether the useful economic lives remained appropriate, and for those assets where indicators of impairment were identified, we tested whether valuations were properly supported by Management's impairment reviews.

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 13.03.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bill Haudal Pedersen
State-Authorised Public Accountant
MNE no 30131

Christian Sanderhage
State-Authorised Public Accountant
MNE no 23347

Financial statements 2018

Statement of comprehensive income

		Group		Parent Company	
DKK ´000	**Note**	**2018**	**2017**	**2018**	**2017**
Net revenue	4	1,875,252	1,218,762	339,697	310,458
External project costs		-391,276	-267,455	-84,176	-82,732
Gross profit		**1,483,976**	**951,307**	**255,521**	**227,726**
Staff expenses and remuneration	5	-1,091,192	-659,790	-214,151	-183,431
Other external costs		-220,048	-150,335	-38,690	-31,492
Other operating income	7	8,472	7,380	29,178	30,661
Other operating costs		-25	-52	0	0
EBITDA before share-based payment		**181,183**	**148,510**	**31,859**	**43,464**
Share-based payment	5	-9,774	-2,302	-4,527	4,867
EBITDA		**171,409**	**146,208**	**27,332**	**48,331**
Depreciation, amortization and impairment	6,11,12	-63,893	-39,479	-5,644	-6,644
Operating profit (EBIT)		**107,516**	**106,729**	**21,688**	**41,687**
Results in subsidiaries		0	0	26,675	16,164
Financial income	8	13,663	909	18,843	6,022
Financial expense	8	-5,738	-6,008	-6,377	-6,750
Profit before tax		**115,441**	**101,630**	**60,829**	**57,123**
Corporate tax	9	-18,767	-5,501	-9,050	3,744
Profit after tax		**96,674**	**96,129**	**51,779**	**60,867**
Items that may be reclassified subsequently to profit and loss:					
Foreign exchange adjustments of subsidiaries		-15,712	-22,300	7,484	-18,703
Other comprehensive income		**-15,712**	**-22,300**	**7,484**	**-18,703**
Total income for the period		**80,962**	**73,829**	**59,263**	**42,164**
Allocated to:					
Shareholders in Columbus A/S		95,056	95,127		
Minority interests		1,618	1,002		
		96,674	**96,129**		
Total comprehensive income allocated to:					
Shareholders Columbus A/S		79,332	72,823		
Minority interests		1,630	1,006		
		80,962	**73,829**		
Earnings per share of DKK 1.25 (EPS)	10	0.78	0.80		
Earnings per share of DKK 1.25, diluted (EPS-D)	10	0.77	0.78		

Balance sheet

DKK ´000	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
ASSETS					
Goodwill	11	933,872	439,342	110,240	110,240
Customer base	11	64,350	27,674	8,249	10,373
Other intangible assets	11	6,661	1,173	6,641	1,167
Development projects finalized	11	67,480	68,934	3,537	1,433
Development projects in progress	11	11,723	5,558	0	0
Property, plant and equipment	12	24,190	12,645	1,813	3,254
Investments in subsidiaries	13	0		876,552	415,257
Deferred tax assets	9	24,389	23,786	4,764	9,971
Other receivables		8,289	5,162	2,359	2,199
Total non-current assets		**1,140,954**	**584,274**	**1,014,156**	**553,894**
Inventories		5	27	0	0
Trade receivables	14	316,111	148,900	61,024	55,097
Contract assets	15	25,317	7,577	2,520	2,363
Receivables from subsidiaries		0	0	28,233	34,127
Corporate tax receivables	9	1,278	3,397	0	0
Deferred tax assets	9	4,521	3,194	0	3,000
Other receivables		11,327	3,217	573	236
Prepayments		25,136	12,942	4,339	6,428
Receivables		**383,690**	**179,227**	**96,689**	**101,251**
Cash		108,909	88,235	10,336	36,364
Total current assets		**492,604**	**267,489**	**107,025**	**137,615**
TOTAL ASSETS		**1,633,558**	**851,763**	**1,121,181**	**691,509**

Balance sheet

		Group		Parent Company	
DKK ´000	Note	2018	2017	2018	2017
EQUITY AND LIABILITIES					
Share capital		152,234	149,832	152,234	149,832
Reserves on foreign currency translation		-44,503	-28,779	-11,219	-18,703
Reserve to development costs		0	0	6,734	1,118
Retained profit		528,608	428,059	385,408	333,752
Group shareholders' equity		**636,339**	**549,112**	**533,157**	**465,999**
Minority interests		3,381	3,031	0	0
Equity		**639,720**	**552,143**	**533,157**	**465,999**
Deferred tax	9	25,016	17,808	0	0
Other provisions	17	12,015	604	2,472	604
Contingent consideration	17	227,259	6,339	214,552	0
Debt to credit institutions		184,270	607	176,000	0
Non-current liabilities		**448,560**	**25,358**	**393,024**	**604**
Debt to credit institutions		7,494	8,810	15,346	0
Debt to subsidiaries		0	0	10,105	141,079
Contract liabilities	15	30,745	11,755	4,822	4,727
Trade payables		105,585	65,956	23,853	24,805
Corporate tax payables	9	4,514	2,266	1,506	0
Other Payables	18	323,734	130,316	130,035	46,512
Accruals		73,206	55,159	9,333	7,783
Current liabilities		**545,278**	**274,262**	**195,000**	**224,906**
Total liabilities		**993,838**	**299,620**	**588,024**	**225,510**
TOTAL EQUITY AND LIABILITIES		**1,633,558**	**851,763**	**1,121,181**	**691,509**

Statement of changes in equity - Group

DKK ´000	Share capital	Reserves on foreign currency translation	Retained profits	Minority interests	Equity
	Shareholders in Columbus A/S				
Group 2018					
Balance at 1 January 2018	**149,832**	**-28,779**	**428,059**	**3,031**	**552,143**
Profit after tax	0	0	95,056	1,618	96,674
Currency adjustments of investments in subsidiaries	0	-15,724	0	12	-15,712
Total comprehensive income	**0**	**-15,724**	**95,056**	**1,630**	**80,962**
Capital increase, cf. note 16	2,402	0	10,942	0	13,344
Share-based payment cf. note 5	0	0	9,774	0	9,774
Payment of dividend	0	0	-15,223	-1,280	-16,503
Balance at 31 December 2018	**152,234**	**-44,503**	**528,608**	**3,381**	**639,720**
Group 2017					
Balance at 1 January 2017	**145,247**	**-6,475**	**331,041**	**1,774**	**471,587**
Profit after tax	0	0	95,127	1,002	96,129
Currency adjustments of investments in subsidiaries	0	-22,304	0	4	-22,300
Total comprehensive income	**0**	**-22,304**	**95,127**	**1,006**	**73,829**
Capital increase, cf. note 16	4,585	0	14,572	251	19,408
Share-based payment, cf. note 5	0	0	2,302	0	2,302
Payment of dividend	0	0	-14,983	0	-14,983
Balance at 31 December 2017	**149,832**	**-28,779**	**428,059**	**3,031**	**552,143**

Statement of changes in equity – Parent company

DKK ´000	Share capital	Reserves on foreign currency translation	Reserve to development costs	Retained profits	Equity
Parent 2018					
Balance at 1 January 2018	**149,832**	**-18,703**	**1,118**	**333,752**	**465,999**
Profit after tax	0	0	0	51,779	51,779
Currency adjustments of investments in subsidiaries	0	7,484	0	0	7,484
Total comprehensive income	**0**	**7,484**	**0**	**51,779**	**59,263**
Capital increase, cf. note 16	2,402	0	0	10,942	13,344
Share-based payment cf. note 5	0	0	0	9,774	9,774
Payment of dividend	0	0	0	-15,223	-15,223
Development costs	0	0	5,616	-5,616	0
Balance at 31 December 2018	**152,234**	**-11,219**	**6,734**	**385,408**	**533,157**
Parent 2017					
Balance at 1 January 2017	**145,247**	**0**	**554**	**278,504**	**424,305**
Profit after tax	0	0	0	60,867	60,867
Currency adjustments of investments in subsidiaries	0	-18,703	0	0	-18,703
Total comprehensive income	0	-18,703	0	60,867	42,164
Capital increase, cf. note 16	4,585	0	0	14,572	19,157
Share-based payment cf. note 5	0	0	0	2,302	2,302
Payment of dividend	0	0	0	-14,983	-14,983
Other adjustments	0	0	0	-6,946	-6,946
Development costs	0	0	564	-564	0
Balance at 31 December 2017	**149,832**	**-18,703**	**1,118**	**333,752**	**465,999**

Cash flow

		Group		Parent Company	
DKK ´000	**Note**	**2018**	**2017**	**2018**	**2017**
Operating profit (EBIT)		107,516	106,729	21,688	41,687
Non-recurring income and expenses from acquisitions		-6,464	-6,815	0	-3,516
Depreciation, amortization and impairment	6,11, 12	63,893	39,479	5,644	6,644
Cost of incentive scheme	5	9,774	2,302	9,774	2,302
Changes in net working capital	24	-36,085	-23,695	-123,207	-18,981
Cash flow from primary activities		**138,634**	**118,000**	**-86,101**	**28,136**
Interest received, etc.		191	909	6,161	6,022
Interest paid, etc.		-3,403	-691	-4,042	-2,499
Corporate tax paid		-11,128	-14,510	662	1,279
Cash flow from operating activities		**124,294**	**103,708**	**-83,320**	**32,938**
Net investment in development projects	11	-34,319	-30,859	-2,949	-662
Acquisition of tangible assets	12	-5,907	-5,106	-800	-936
Acquisition of intangible assets	11	-6,187	-1,206	-6,159	-1,200
Disposal of tangible assets	12	334	225	250	2
Disposal of intangible assets	11	5	0	0	0
Acquisition of subsidiaries and activities		-209,483	-58,663	-186,927	-8,287
Capital increase in affiliated companies		0	0	0	-121
Dividends received from subsidiaries		0	0	64,411	16,285
Cash flow from investing activities		**-255,557**	**-95,609**	**-132,174**	**5,081**
Proceeds from capital increase/warrants exercised		13,344	19,292	13,344	19,157
Overdraft facilities	25	157,822	-19,674	191,346	-23,117
Dividends paid		-16,503	-14,983	-15,223	-14,983
Cash flow from financing activities		**154,663**	**-15,365**	**189,467**	**-18,943**
Total cash flow		**23,400**	**-7,266**	**-26,027**	**19,076**
Cash funds at the beginning of the year		88,235	94,669	36,364	17,288
Exchange rate adjustments		-2,726	832	0	0
Cash funds at the end of the period		**108,909**	**88,235**	**10,336**	**36,364**

Notes

Notes

Note 1 - Significant accounting principles

The financial statements for 2018 for Columbus, which include financial statements for the Parent Company Columbus A/S and consolidated financial statements for the Columbus Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for annual reports prepared after reporting class D (listed), cf. IFRS Executive Order issued pursuant to the Financial Statements Act. Columbus is a public limited company seated in Denmark.

The consolidated and Parent Company's financial statements are presented in Danish Kroner (DKK), which is the presentation currency for the Group's activities and the functional currency of the parent.

The consolidated and Parent Company's financial statements have been prepared based on historical cost. The main elements of the accounting policies and changes compared to last year due to new and amended standards are described below. The accounting principles are also disclosed in note 30.

In preparing the consolidated and Parent Company's financial statements, the management makes various accounting assessments that form the basis of presentation, recognition and measurement of the Parent Company and the Group's assets and liabilities. The most significant estimates and assessments are presented in note 2.

The effect of new accounting standards

All new and revised standards, which entered into force with effect from fiscal periods beginning at 1 January 2018, and interpretations that are relevant to the Columbus Group are used in preparing the financial statements.

IFRS 15

Effective 1 January 2018, Columbus has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for annual periods that begins on or after 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition and requires Columbus to either recognize revenue at "a point in time" or "over time".

Columbus has used the cumulative effect method, with the effect of adopting this standard recognized on 1 January 2018, the date of initial application. Accordingly, the information presented for 2017 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations. Apart from providing more extensive disclosures on Columbus's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group. The transition to IFRS 15 has not impacted prior years financial statements as Columbus already recognized revenue in a manner that by and large reflects the requirements by IFRS 15.

IFRS 15 uses the terms "contract asset" and "contract liability". Columbus has adopted these terms for what was formerly reported as "Contract work in progress" and "Client prepayments".

IFRS 9

Effective 1 January 2018, Columbus has applied IFRS 9 "Financial Instruments" which is effective for annual periods that begins on or after 1 January 2018. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities. The most important change resulting from IFRS 9 is a new impairment model for financial assets requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as it was the case under former practice.

The adoption of IFRS 9 has not had any significant impact on recognition and measurement of financial instruments in the Group's consolidated financial statements for 2018.

Comparative figures are not restated as the effect is immaterial.

New standards effective from 2019

IASB has issued a number of new or amended standards and interpretations which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2018. Of the new standards or amended standards IFRS 16 "Leases" is the most relevant to the Group.

IFRS 16

IFRS 16 "Leases" is effective from 1 January 2019. Columbus has assessed and evaluated the new standard and concluded that the standard will have significant impact on recognition and measurement for the Group consolidation.

The standard requires that all leases must be recognized in the balance sheet with a corresponding lease liability. Leased assets are amortized

Notes

over the lease period, payments are allocated between instalments on the lease obligation, and interest expenses are classified as financial items.

Cash flow statement will be impacted as operating lease payments currently presented as cash flow from operating activities will be reclassified to cash flow from interest and financing activities.

Columbus' portfolio of leases include three main groups; Offices, cars and other fixtures. Offices represent approximately 93% and cars and other tangible assets represents the last 7% of the Columbus' portfolio of leases.

Columbus intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The transition will have an effect on equity as per 1 January 2019 with an estimated negative amount of DKK 4.8m. Right-of-use assets will be measured on the transition date as if the new rules had always been applied, meaning that all leases have been recognized back to original commencement date.
Columbus expects to recognize right-of-use assets of approximately DKK 100m on 1 January 2019. The right-of-use assets will be classified as a separate line under none-current assets.

The lease liabilities related to the right-of-use assets are expected to amount of approximately DKK 105m on 1 January 2019. The liabilities will be classified as current and non-current liabilities respectively. Current liability is expected to be DKK 33m and non-current liabilities are expected to be DKK 72m. The impact on deferred tax assets is expected to be in the range of DKK 0.3m on 1 January 2019.

Full year 2019 expectations
Net profit before tax will be almost unaffected and is expected to amount to approximately DKK -0.2m for 2019 as a result of adopting the new standard based on the Group's lease agreements as of 31 December 2018. EBITDA is expected to increase by approximately DKK 38m, as the operating lease payments will no longer be disclosed as other external cost. Depreciations of the right-of-use assets are expected to amount to DKK 34m for 2019 and the interests on the lease liability are expected to amount of DKK 4m for 2019.

Net cash flow will be unaffected by implementing IFRS 16.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.

Notes

Note 2 - Significant accounting estimates and assessments

By applying the Group's accounting principles as described in note 30, it is necessary that the management performs assessments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The performed estimates and assumptions are based on historical experience and other factors that management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. The Company is also subject to risks and uncertainties that may cause actual results to differ from these estimates. Specific risks for the Columbus Group are described in "Risk Management", cf. page 24.

The estimates and underlying assumptions are reviewed regularly. Changes to accounting estimates are recognized in the accounting period in which the change occurs and in future periods if the change affects both the period, in which the change occurs and subsequent accounting periods.

The most significant accounting estimates and judgements relate to the following areas.

Area	Note
Deferred tax asset	9
Impairment of goodwill	11
Impairment of intangible assets	11
Revenue recognition	4,15
Contingent consideration	17
Business combinations	20

Recoverable amount of goodwill

The determination of impairment of recognized goodwill requires determination of the value of the cash-generating units to which the goodwill is allocated. Determination of the value requires an estimate of expected future cash flows of each cash-generating unit and a reasonable discount rate. At 31 December 2018, the carrying value of goodwill is DKK 933,872k. For a detailed description of methods and assumptions for impairment of goodwill, see note 11.

Recoverability and intangible assets generated internally in the Group

The management's assessment regarding completed development projects that are amortized over a 3 to 5-year useful life, is that no impairment indicators exist in excess of the amortization made except from 2 development projects impaired in Q1. Please see note 6.

At the annual impairment test of ongoing development projects, or when there is indication of impairment, an estimate is made of how the parts of the business (cash-generating units) that ongoing development projects are related to will be able to generate sufficient cash flows in the future to support the value of ongoing development projects and other net assets in the relevant part of the business. Management closely monitors developments in the ongoing development projects, and will make adjustments to the carrying amounts if required as a result of the development

Adjustment of the opening balance for iStone - Onerous contract

Columbus has adjusted the opening balance related to an estimated loss on a fixed price project in Norway, for which the contract was found to be onerous at the date of acquisition. Please see note 20 for details.

Related contingent consideration is determined by EBITDA thresholds in 2018, 2019 and 2020. The contingent consideration is still recognized as if these thresholds will be met.

The accrual and contingent consideration are associated with estimates and judgements that are based on assumptions concerning future developments. The actual development may therefor differ from the estimates and judgements made as more detailed information becomes available. Management has used all information available to mitigate the uncertainty and assess that the accrual for loss on projects in the opening balance is fair.

Evaluation of revenue recognition of contracts

The stage of completion, forming the basis for the current recognition of revenue at the Company's use of the production method of contracts, is determined on the basis of the relationship between the entity's resources in relation to recent total estimate of resource consumption. The degree of completion is assessed regularly by the responsible employees and the area is closely monitored by management, and further adjustments are made to the stage of completion, etc., if deemed necessary.

Utilization of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and difference values to the extent it is deemed likely that within the foreseeable future taxable profits will be realized in which

Notes

the losses and the difference values can be utilized. Determining the size of the amount that can be recognized for deferred tax assets is based on management's estimate of the likely time and amount of future taxable profits. At 31 December 2018, the carrying value of recognized tax was DKK 28,909k, which is estimated to be realized in a foreseeable future (5 years or less).

Notes

Note 3 - Segment data

In order to support decisions about allocation of resources and assessment of performance of the segments, the Group's internal reporting to the Board of Directors of the Parent Company is based on the following grouping of operating segments:

Strategic business areas	Description	Geographical segment
ISV (Independent Software Vendor)	Development and sale of industry-specific software within Columbus' three focus industries: Retail, food and manufacturing	No specific area
Consultancy	Sale, implementation and service of standard business systems	Western Europe Eastern Europe North America

Information about the Group's segments is stated below.

DKK ´000	ISV	Consultancy Western Europe	Consultancy Eastern Europe	Consultancy North America	HQ, GDC and Eliminations	Total
2018						
Columbus Software licenses	23,967	9,166	3,692	2,224	-9,676	29,373
Columbus Software subscriptions	51,726	15,846	1,598	4,964	-16,185	57,949
Columbus cloud	13,331	5,574	244	26	-3,628	15,547
External licenses	2,696	42,747	6,480	23,673	-1,567	74,029
External subscriptions	9,033	89,321	19,935	93,877	-5,508	206,658
External cloud	725	9,418	499	13,473	-20	24,095
Services	57,847	1,096,349	100,320	205,901	-28,308	1,432,109
Other	887	29,616	2,395	4,624	-2,030	35,492
Total net revenue	**160,212**	**1,298,037**	**135,163**	**348,762**	**-66,922**	**1,875,252**
Gross profit	137,589	992,413	106,094	230,987	16,893	1,483,976
EBITDA	62,093	112,729	12,327	18,695	-34,435	171,409
Operating profit (EBIT)	15,944	70,199	9,107	11,303	963	107,516
Profit before tax	17,253	71,896	8,886	4,569	12,837	115,441
Profit after tax	15,010	61,572	7,955	8,467	3,670	96,674
Segment assets	210,095	1,076,814	91,054	274,890	-19,295	1,633,558
Segment liabilities	89,518	315,331	27,838	41,452	519,699	993,838
Non-current assets	160,814	662,711	49,562	237,500	30,367	1,140,954
Asset investments	32,059	6,007	1,027	307	7,013	46,414
Depreciation, amortization and impairment*	-40,478	-14,875	-591	-4,502	-3,447	-63,893
Average number of employees	**151**	**1,144**	**301**	**214**	**35**	**1,845**

*In the ISV segment, an amount of DKK 14,740k is included, which is deriving from impairment of development projects in Q1.

In order to be able to estimate the results of the segments and allocate resources between these, the Board of Directors also monitors the tangible, intangible and financial assets related to each segment.

Notes

Note 3 - Segment data continued

DKK ´000	ISV	Consultancy Western Europe	Consultancy Eastern Europe	Consultancy North America	HQ, GDC and Eliminations	Total
2017						
Columbus Software licenses	20,703	10,336	2,690	1,596	-8,652	26,673
Columbus Software subscriptions	43,613	14,892	1,559	5,109	-14,915	50,258
Columbus cloud	5,697	3,036	0	0	-2,485	6,248
External licenses	0	40,454	15,906	38,592	-323	94,629
External subscriptions	0	68,898	24,898	96,743	-420	190,119
External cloud	0	4,114	6	5,265	-170	9,215
Services	16,762	456,757	96,934	267,067	-14,969	822,551
Other	1,285	8,684	2,481	7,581	-962	19,069
Total net revenue	**88,060**	**607,171**	**144,474**	**421,953**	**-42,896**	**1,218,762**
Gross profit	74,947	453,618	106,289	285,554	30,899	951,307
EBITDA	44,211	92,391	12,995	7,040	-10,429	146,208
Operating profit (EBIT)	16,572	65,186	9,160	-6,900	22,711	106,729
Profit before tax	15,416	66,661	10,459	-13,652	22,746	101,630
Profit after tax	16,959	61,607	7,499	-13,007	23,071	96,129
Segment assets	143,952	379,236	83,778	321,326	-76,529	851,763
Segment liabilities	51,733	82,627	29,130	70,923	65,207	299,620
Non-current assets	112,534	217,901	38,386	285,929	-70,476	584,274
Asset investments	29,156	3,180	1,368	1,342	2,125	37,171
Depreciation, amortization and impairment	-23,802	-9,229	-407	-5,394	-647	-39,479
Average number of employees	**90**	**525**	**280**	**264**	**35**	**1,194**

In order to be able to estimate the results of the segments and allocate resources between these, the Board of Directors also monitors the tangible, intangible and financial assets related to each segment.

Revenue and non-current assets distributed in geographic areas

The Group's revenue from external customers and non-current assets distribution in geographical areas are specified below. Revenue is distributed according to the country of the entity from where invoicing has taken place, and the non-current assets are distributed according to location and legal relation.

DKK ´000	Net revenue from external customers 2018	Net revenue from external customers 2017	Non-current assets 2018	Non-current assets 2017
Denmark	352,253	337,701	211,885	118,058
Norway	147,980	60,113	8,711	8,211
Netherlands	123,773	59,885	169,725	85,517
United Kingdom	195,031	199,142	47,041	84,800
USA	355,633	419,377	230,063	278,752
Russia	65,849	70,137	1,480	1,514
Sweden	494,993	0	450,374	0
The rest of the world	139,740	72,407	21,674	7,423
Total	**1,875,252**	**1,218,762**	**1,140,954**	**584,274**

Notes

Note 4 - Net revenue

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Sale of products				
Columbus Software licenses	29,373	26,673	3,960	5,900
Columbus Software subscriptions	57,949	50,258	8,973	7,773
Columbus Cloud	15,547	6,248	1,434	1,123
External licenses	74,029	94,629	12,589	27,026
External subscriptions	206,658	190,119	47,268	39,263
External Cloud	24,095	9,215	4,246	1,051
Total sale of products	**407,650**	**377,142**	**78,470**	**82,136**
Sale of services				
Sales value of finished projects	1,393,788	854,127	254,886	249,357
Change in contract assets	38,321	-31,576	3,549	-24,559
Other services	35,492	19,069	2,792	3,524
Total sale of services	**1,467,601**	**841,620**	**261,227**	**228,322**
Total net revenue	**1,875,252**	**1,218,762**	**339,697**	**310,458**
Contract assets, beginning of period	-27,804	-59,380	-13,154	-37,713
Contract assets, end of period	66,125	27,804	16,703	13,154
Total change in contract assets	**38,321**	**-31,576**	**3,549**	**-24,559**

Notes

Note 5 - Staff expenses and remuneration

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Staff expenses				
Salary and wages	893,827	590,916	205,094	174,796
Other social security costs	156,555	45,435	1,638	1,388
Other staff expenses	40,810	23,439	7,418	7,248
Staff costs before share-based payment	**1,091,192**	**659,790**	**214,151**	**183,431**
Share-based payment	9,774	2,302	4,527	-4,867
Staff expenses	**1,100,966**	**662,092**	**218,678**	**178,564**
Average number of employees	1,845	1,194	310	290

The parent company's Executive Board and Board of Directors are remunerated as follows:

DKK ´000	Executive Board	Board of Directors	Other senior employees
2018			
Salary and wages	7,838	675	24,107
Share-based payment	2,770	582	1,859
	10,607	**1,257**	**25,966**
2017			
Salary and wages	7,001	675	21,573
Share-based payment	354	445	856
	7,355	**1,120**	**22,430**

Other senior employees are defined as those employees involved in management of the parent company, as well as the Managing Directors of the parent company's subsidiaries.

The Executive Board and a number of senior employees in the Parent Company as well as the Group are subject to special bonuses depending on individually defined performance targets. The arrangements are essentially unchanged compared to last year.

Defined contribution plans

The Group finances defined contribution plans through continuous premium payments to independent pension and insurance companies, which are responsible for the pension liabilities. After payment of pension contribution to defined contribution plans, the Group has no further pension liabilities towards employees or resigned employees in relation to the future development in interest rates, inflation, mortality, disability etc. with regards to the amount to be paid to employees at a later time.

Incentive schemes

In November 2015 Columbus established a warrant program for senior executives and other senior employees. The program, which can only be exercised by purchasing the shares in question, grants the right to subscribe a number of shares in the parent company at a price agreed in advance. The vesting period corresponds to the fiscal year with the final grant at 31 December 2018. At the grant date the market value of the shares was DKK 2,836,314. The exercise periods are scheduled to the first 14 days after publication of the Company's Annual Report. Warrants not exercised within the last exercise period will be lost. The warrant program is contingent on employment in the Company.

In July 2016 Columbus established a warrant program for the Board of Directors, senior executives and other senior employees. The program, which can only be exercised by purchasing the shares in question, grants the right to subscribe a number of shares in the parent company at a price agreed in advance. The vesting period corresponds to the fiscal year with the final grant at 31 December 2018. At the grant date the market value of the shares was DKK 5,767,408. The exercise periods are scheduled to the first 14 days after publication of the Company's Annual Report. Warrants not exercised within the last exercise period will be lost. The warrant program is contingent on employment in the Company.

Notes

Note 5 - Staff expenses and remuneration, continued

In December 2017 Columbus established a warrant program for the Board of Directors, senior executives and other senior employees. The program, which can only be exercised by purchasing the shares in question, grants the right to subscribe a number of shares in the parent company at a price agreed in advance. The vesting period corresponds to the fiscal year with the final grant at 31 December 2020. At the grant date the market value of the shares was DKK 3,966,643. The exercise periods are scheduled to the first 14 days after publication of the Company's Annual Report. Warrants not exercised within the last exercise period will be lost. The warrant program is contingent on employment in the Company.

In April 2018 Columbus established a warrant program for the senior executives and other senior employees. The program, which can only be exercised by purchasing the shares in question, grants the right to subscribe a number of shares in the parent company at a price agreed in advance. The vesting period corresponds to the fiscal year with the final grant at 31 December 2020. At the grant date the market value of the shares was DKK 10,928,988. The exercise periods are scheduled to the first 14 days after publication of the Company's Annual Report. Warrants not exercised within the last exercise period will be lost. The warrant program is contingent on employment in the Company.

The development in outstanding warrants can be specified as follows:

	Number of warrants		Avg. exercise rate per warrant	
	2018	2017	2018	2017
Outstanding 1 January	7,576,500	8,964,360	8.87	6.18
Granted during the period	6,510,000	2,430,000	15.08	13.15
Lost due to termination of employment	-630,000	-90,000	9.57	6.41
Exercised during the period	-1,921,500	-3,667,860	6.94	5.22
Annulled during the period	0	-60,000	0.00	6.41
Outstanding end of period	**11,535,000**	**7,576,500**	**12.66**	**8.87**

	2018	2017
Number of warrants which can be exercised at balance sheet date	885,000	736,500
Weighted average contractual life (years)	2.50	2.34
Weighted average exercise rate	6.79	7.26

The incentive scheme is based on Black & Scholes' calculations for the estimated market value at the time of allocation. The assessment is based on the following assumptions:

Warrants December 2018	Share price at grant date (DKK per share)	Exercise price (DKK per share)	Number of warrants end of period	Estimated volatility (%)*	Risk free interest (%)	Estimated return rate (%)	Expiry (number of years)
Granted November 2015	5.45	5.45	1,260,000	23.7%	0.0%	0.0%	0.3
Granted July 2016	7.84	7.84	1,575,000	29.2%	0.0%	0.0%	1.3
Granted December 2017	13.15	13.15	2,280,000	22.1%	0.0%	0.0%	2.3
Granted April 2018	15.08	15.08	6,420,000	19,15%	0.0%	0.0%	3.3

* The expected volatility is calculated based on the historic volatility during the past year until the grant of the warrant programs.

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Expensed share-based payment related to equity instruments	9,774	2,302	4,527	-4,867

Notes

Note 6 – Depreciation, amortization and impairment

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Depreciation	10,295	8,932	1,992	4,342
Amortization	38,858	30,547	3,652	2,302
Impairment of development projects	14,740	0	0	0
Total depreciation, amortization and impairment	**63,893**	**39,479**	**5,644**	**6,644**

Impairment of development projects relates to an extraordinary write down of Columbus Software in Q1 2018 in the ISV segment. The recoverable amount from the impaired development projects relates to software measured at fair value less cost to sell as well as the software's value in use, depending on the type of software. The recoverable amount of the impaired development projects represents DKK 5.8m. Impaired software measured at fair value less cost to sell are categorized at level 3 in the fair value hierarchy according to IFRS 13. The impairment and recoverable amount are associated with estimates and judgements made by the management based on expected future events. The management assesses that the measurement is fairly stated.

Note 7 – Other operating income

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Non-recurring income from acquisitions	6,464	6,815	0	3,516
Central cost allocation Columbus Group	0	0	29,178	27,145
Other services	2,008	565	0	0
Total other operating income	**8,472**	**7,380**	**29,178**	**30,661**

Non-recurring income is primarily related to income recognition of unachieved earn out debt to seller of acquisitions in earlier years (DKK 6,174 cf. Note 17).

Notes

Note 8 – Financial income and expenses

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Financial income				
Interest income from subsidiaries	0	0	6,161	5,965
Interest income on bank deposits, etc.	132	100	0	0
Other interest income	59	63	0	57
Interest income on financial assets not measured at fair value in the result	**191**	**163**	**6,161**	**6,022**
Foreign exchange gains	13,472	746	12,682	0
Total financial income	**13,663**	**909**	**18,843**	**6,022**
Financial expenses				
Interests expense to subsidiaries	0	0	931	1,564
Interest expense on bank loans	1,759	664	1,864	572
Other interest expense	2,355	27	2,351	0
Interest expense from financial liabilities that are not measured at fair value in the result	**4,114**	**691**	**5,146**	**2,136**
Foreign exchange loss	1,624	5,317	1,231	4,614
Total financial expenses	**5,738**	**6,008**	**6,377**	**6,750**

Discounted interest expenses of DKK 2,335k which relate to contingent consideration (note 17) are included in other interest expenses.
Foreign exchange gains include fair value adjustment of currency forward derivative.

Notes

Note 9 - Corporate tax

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Tax on result for the year				
Current tax	18,109	6,786	1,274	0
Change in deferred tax	1,843	801	7,892	-3,924
Adjustment to previous years	-1,185	-2,086	-116	180
	18,767	**5,501**	**9,050**	**-3,744**
Tax on result for the year explained as follows				
Calculated 22% on pre-tax earnings on continuing operations	25,397	22,359	13,382	8,453
Tax effect of:				
Adjustment to tax concerning previous years	-1,625	-2,086	-429	180
Adjustment to tax rates in foreign subsidiaries relative to 22%	-1,255	-254	0	0
Non-capitalized tax value of losses	5	-7,502	0	0
Effect of reduced corporate tax rate	0	783	0	0
Not taxable income	-8,676	-1,790	0	0
Not taxable expenses	89	397	-55	143
Other temporary differences	2,437	-5,199	-3,773	-3,708
Other permanent differences	2,395	-1,207	-75	-8,812
	18,767	**5,501**	**9,050**	**-3,744**
Effective tax rate (%)	**16.26**	**5.41**	**14.88**	**-9.74**
Corporate tax receivable (net)				
Balance at 1 January	-1,131	12,647	0	-4,865
Currency adjustment	-41	29	0	0
Adjustment to previous years	-738	-654	232	0
Current tax for the year	18,109	6,786	1,274	0
Tax paid on account for the year	-11,432	-5,441	0	4,865
Corporate tax paid during the year	-1,532	-14,498	0	0
Balance at 31 December	**3,236**	**-1,131**	**1,506**	**0**
Corporate tax receivable	-1,278	-3,397	0	0
Corporate tax payable	4,514	2,266	1,506	0
	3,236	**-1,131**	**1,506**	**0**

Notes

Note 9 - Corporate tax, continued

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Deferred tax assets				
Balance at 1 January	26,980	24,553	12,971	3,948
Deferred tax assets 1 January	**26,980**	24,553	**12,971**	**3,948**
Currency adjustments	313	-1,639	0	0
Additions due to acquisitions during the year	0	0	0	5,288
Adjustment to previous years	-15	-228	-315	0
Additions from business combinations	9,140	0	0	0
This year's change in deferred tax	-7,509	4,293	-7,892	3,735
Balance at 31 December	**28,909**	**26,980**	**4,764**	**12,971**
Deferred tax assets relates to				
Intangible assets	2,415	4,239	2,352	5,121
Tangible assets	5,506	2,784	2,286	2,737
Current assets	2,651	1,226	126	652
Loss carryforward	18,337	18,731	0	4,461
	28,909	**26,980**	**4,764**	**12,971**

Based on the management's assessment of future income short-term tax assets are expected to be DKK 4.5m and the total tax assets are expected to be utilized within a 5-year period.

	Group		Parent Company	
DKK ´000	**2018**	**2017**	**2018**	**2017**
Deferred tax liabilities				
Balance at 1 January	17,808	10,614	0	0
Adjusted deferred tax liabilities 1 January	**17,808**	**10,614**	**0**	**0**
Currency adjustment	-357	-11	0	0
Additions due to acquisitions during the year	10,031	0	0	0
Adjustment to previous years	3,200	0	0	0
This year's change in deferred tax	-5,666	7,205	0	0
Balance 31 December	**25,016**	**17,808**	**0**	**0**
Deferred tax liabilities relates to				
Intangible assets	24,970	14,950	0	0
Tangible assets	0	444	0	0
Current assets	46	2,928	0	0
Loss carryforward	0	-514	0	0
	25,016	**17,808**	**0**	**0**

The Group's non-capitalized tax assets amount to DKK 4m (2017: DKK 7m).

Notes

Note 10 - Earnings per share

The calculation of earnings per share is based on the following:

	Group	
DKK ´000	**2018**	**2017**
Result for the year	96,674	96,129
Minority interests' share of the result for the year	1,618	1,002
Result used for calculating earnings per share, diluted	**95,056**	**95,127**
Average number of shares listed on NASDAQ OMX Copenhagen (pcs.)	121,370,367	119,100,640
Number of shares used to calculate earnings per share (pcs.)	**121,370,367**	**119,100,640**
Average dilutive effect on outstanding subscription rights (pcs.)	1,535,175	3,574,915
Number of shares used to calculate earnings per share, diluted (pcs.)	**122,905,542**	**122,675,555**
Earnings per share of DKK 1.25 (EPS)	0.78	0.80
Earnings per share of DKK 1.25, diluted (EPS-D)	0.77	0.78

Note 11 – Intangible assets

DKK ´000	Goodwill	Customer base	Other intangible assets	Development projects finalized	Development projects in progress	Total
Group 2018						
Balance at 1 January 2018	515,274	45,977	5,136	178,437	5,558	750,382
Foreign currency translation, year-end exchange rate	-5,319	-309	-25	808	-119	-4,964
Additions	0	0	6,187	7,088	27,229	40,504
Additions relating to acquisitions	499,779	50,745	0	12,067	0	562,591
Disposal for the year	0	0	-19	0	0	-19
Development projects, finalized	0	0	0	20,946	-20,946	0
Balance at 31 December 2018	**1,009,734**	**96,413**	**11,279**	**219,346**	**11,723**	**1,348,494**
Amortization and depreciation at 1 January 2018	75,932	18,303	3,963	109,503	0	207,701
Foreign currency translation, year-end exchange rate	-70	555	-25	612	0	1,072
Amortization/depreciation	0	13,205	694	24,959	0	38,858
Impairment	0	0	0	14,740	0	14,740
Amortization/depreciation relating to acquisitions	0	0	0	2,052	0	2,052
Reversal of amortization/depreciation	0	0	-14	0	0	-14
Amortization and depreciation at 31 December 2018	**75,862**	**32,063**	**4,618**	**151,866**	**0**	**264,409**
Carrying amount at 31 December 2018	**933,872**	**64,350**	**6,661**	**67,480**	**11,723**	**1,084,086**

Except for goodwill, economic life of all intangible assets is expected to be limited and therefore amortized over the expected lifetime of the asset.

Notes

Note 11 - Intangible assets, continued

DKK ´000	Goodwill	Customer base	Other intangible assets	Development projects finalized	Development projects in progress	Total
Group 2017						
Balance at 1 January 2017	491,415	43,580	4,023	145,259	8,491	692,768
Foreign currency translation, year-end exchange rate	-22,078	-2,569	-64	-626	12	-25,325
Additions	0	0	1,206	767	30,092	32,065
Additions relating to acquisitions	45,937	4,966	0	0	0	50,903
Disposal for the year	0	0	-29	0	0	-29
Development projects, finalized	0	0	0	33,037	-33,037	0
Balance at 31 December 2017	**515,274**	**45,977**	**5,136**	**178,437**	**5,558**	**750,382**
Amortization and impairment at 1 January 2017	76,263	13,018	4,006	85,904	0	179,191
Foreign currency translation, year-end exchange rate	-331	-928	-64	-675	0	-1,998
Amortization/depreciation	0	6,213	50	24,274	0	30,537
Reversal of amortization/depreciation	0	0	-29	0	0	-29
Amortization and depreciation at 31 December 2017	**75,932**	**18,303**	**3,963**	**109,503**	**0**	**207,701**
Carrying amount at 31 December 2017	**439,342**	**27,674**	**1,173**	**68,934**	**5,558**	**542,681**

Except for goodwill, economic life of all intangible assets is expected to be limited.

Notes

Note 11 - Intangible assets, continued

Goodwill

The carrying amount of goodwill is distributed on cash-generating units as shown below:

DKK ´000	Country	Segment	31 December 2018	31 December 2017
Columbus A/S	DK	VAR	110,240	110,239
ZAO Columbus	RU	VAR	30,944	30,944
Columbus US Inc.	US	VAR	210,958	130,371
Business Microvar Inc.	US	VAR	0	70,861
Columbus Norway AS	NO	VAR	7,571	7,603
UAB Columbus Lietuva	LT	VAR	4,712	4,698
Columbus Global (UK) Ltd.	UK	VAR	39,713	16,773
Cambridge Online Systems Ltd.	UK	VAR	0	23,512
Columbus Eesti AS	EE	VAR	10,941	54
Columbus CoMakeIt India Pvt Ltd.	IN	VAR	4,130	4,130
iStone AB	SE	VAR	432,776	0
Total consultancy			**851,983**	**399,185**
To-Increase B.V.	NL	ISV	81,889	40,157
Total ISV segment			**81,889**	**40,157**
			933,872	**439,342**

The management performs an impairment test of the carrying amount of goodwill, development projects and other non-current assets at least annually and more frequently if there are indicators of impairment. The annual impairment test is performed on 31 December 2018.

The recoverable amount of goodwill related to the individual cash generating units is calculated based on the Capital Asset Pricing Model (CAPM model)

The main changes in the goodwill from 2017 to 2018 relate to the acquisition of iStone. However, also impact from exchange rate adjustments primarily linked to the US, UK and Russia operations.

Future cash flows

The recoverable amount of the individual cash-generating units to which the goodwill amounts to, is calculated based on the calculations of capital value. The most significant uncertainties are connected to the determination of discount rates, growth rates and expected changes in costs in the budget and terminal periods.

Budget for the individual cash generating units is based on a bottom up process. The key assumptions for the budget are expected development in efficiency (number of chargeable hours compared to total hours) in the consultancy business and expected revenue and gross profits from sale of software and general development in cost. The budget process takes place in October through November and takes into consideration the historical performance and current condition and performance of the cash generating unit in terms of pipeline, order book and current capacity in terms of consultants.

The 3-year projection period is based on individual and conservative assumptions for the three main revenue streams in Columbus i.e. Consultancy, external software and Columbus Software.

In generating a terminal value, a conservative real growth in revenue and cost of 1% is applied. With regards to staff cost a real growth of 2% is expected in both the 3-year interim period and in generating the terminal value.

Columbus is operating in a market where the development has low sensitivity to market development in general and to the development in general IT spending by companies. The management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amounts. Group management has performed a sensitivity analysis of goodwill impairment tests to show the headroom between carrying amount and the recoverable amounts. The sensitivity analysis is focusing on changes in free cash flow in terminal period with 5% and changes in discount rate with 1% point. The analysis did not identify any indication of impairment.

Notes

Note 11 - Intangible assets, continued

The US Cash Generating Unit did not meet management expectations for 2018. This was due to poor sales execution and due to technologically change from Microsoft regarding the product Great Plains. However, the market for ERP is still expected to grow by approximately 10% annually (article: CISION PR Newswire, New York Oct 10, 2018) until 2021. Columbus expects to gradually regain normalized sales execution power during 2019. From 2018 to 2019 US is expected to grow revenue by approximately 3% in local currency. However, with an expected decline in revenue in the first 6 months of 2019. For the projection period (2020-2022) US is assumed to grow revenue by approximately 2.5 percentage points per year. Further it is expected that the EBITDA margin will gradually increase from 5% to a normalized level at approximately 10%. Applying growth less or equal to market growth is by management assessed to be realistic. Based hereon no impairment is assessed necessary for the US.

Discount rate
The determined discount factors reflect the market assessment of the time value of money in the countries where the cash generating units operate expressed as a risk-free rate and the specific risks associated with each cash-generating unit. The discount rate is determined on an "after tax" basis on the assessed Weighted Average Costs of Capital (WACC).

The discount rate used to calculate the present value of expected future cash flow is between 8.8% and 11.8% after tax, representing 8.8% and 11.5% pre-tax. The reason for the insignificant difference between after tax and pre-tax discount rates is due to a relatively low debt to equity ratio and due to the fact that Columbus has significant tax losses carry forwards to offset tax payments. The discount rate has been determined based on the Capital Asset Pricing Model and comprise a risk-free interest rate, the market risk premium and a beta factor, covering systematic market risk and also a company premium. The values for the risk-free interest rate, the market risk premium and the beta factor are determined using external sources. The group applies the same discount rates for all cash generating units, as the risk of the individual cash generating units are reflected in their estimated cash flows. However, to accommodate for higher assessed risk in the future, cash flows in Eastern Europe and UK a 3% higher discount factor has been applied for these markets.

Most important assumptions for the impairment test
With the applied method for the annual impairment test, the growth rate applied in the terminal value and the WACC becomes the most important assumptions for the net present value of the future cash flows.

Overall, the impairment based on the above assumptions demonstrates that the present value of the future cash flows from the cash generating units comfortably exceeds the carrying amount of goodwill. The management has applied conservative growth rates for the projection period and for the period following the projection period developed for the purpose of the impairment test.

DKK ´000	Goodwill	Customer base	Other intangible assets	Development projects finalized	Total
Parent 2018					
Balance at 1 January 2018	111,224	18,979	1,987	23,996	156,186
Additions	0	0	6,159	2,948	9,107
Balance at 31 December 2018	**111,224**	**18,979**	**8,146**	**26,944**	**165,293**
Amortization and depreciation at 1 January 2018	984	8,606	820	22,563	32,973
Amortization/depreciation	0	2,124	685	844	3,653
Amortization and depreciation at 31 December 2018	**984**	**10,730**	**1,505**	**23,407**	**36,626**
Carrying amount at 31 December 2018	**110,240**	**8,249**	**6,641**	**3,537**	**128,667**

Other intangible assets include development projects for internal use with a net carrying amount of DKK 5.096k.

Notes

Note 11 - Intangible assets, continued

DKK ´000	Goodwill	Customer base	Other intangible assets	Development projects finalized	Total
Parent 2017					
Balance at 1 January 2017	81,816	8,979	787	22,056	113,638
Additions	0	0	1,200	662	1,862
Additions relating to acquisitions	29,408	10,000	0	1,278	40,686
Balance at 31 December 2017	**111,224**	**18,979**	**1,987**	**23,996**	**156,186**
Amortization and depreciation at 1 January 2017	984	5,169	779	21,346	28,278
Amortization/depreciation	0	2,127	41	752	2,920
Amortization/depreciation relating to acquisitions	0	1,310	0	465	1,775
Amortization and depreciation at 31 December 2017	**984**	**8,606**	**820**	**22,563**	**32,973**
Carrying amount at 31 December 2017	**110,240**	**10,373**	**1,167**	**1,433**	**123,213**

Notes

Note 12 - Tangible assets

DKK ´000	Land and buildings	Leasehold improvements	Fixtures and equipment	Total
Group 2018				
Balance at 1 January 2018	2,197	856	53,970	57,023
Foreign currency translation, year-end exchange rate	-40	5	-135	-170
Additions	0	0	15,487	15,487
Additions related to acquisitions	8	0	26,892	26,900
Disposals	0	0	-19,133	-19,133
Disposals relating to divestments	0	0	-1,184	-1,184
Balance at 31 December 2018	**2,165**	**861**	**75,897**	**78,923**
Depreciation and write-downs at 1 January 2018	88	585	43,705	44,378
Foreign currency translation, year-end exchange rate	-5	1	339	335
Depreciation	58	101	10,136	10,295
Additions related to acquisitions	3	0	11,658	11,661
Reversed depreciation on disposals	0	0	-11,936	-11,936
Depreciation at 31 December 2018	**144**	**687**	**53,902**	**54,733**
Carrying amount at 31 December 2018	**2,021**	**174**	**21,995**	**24,190**

Financial Leasing, with a net carrying amount of DKK 9,580k as of 31 December 2018, is included in Fixtures and equipment. In this year's disposal, an amount of DKK 8,046k is included, which is deriving from financial leasing.

DKK ´000	Land and buildings	Leasehold improvements	Fixtures and equipment	Total
Group 2017				
Balance at 1 January 2017	2,273	1,725	55,180	59,178
Foreign currency translation, year-end exchange rate	-76	-7	-2,843	-2,926
Additions	0	0	5,106	5,106
Disposals	0	-611	-4,197	-4,808
Reclassification of previous years	0	-251	724	473
Balance at 31 December 2017	**2,197**	**856**	**53,970**	**57,023**
Depreciation and write-downs at 1 January 2017	34	1,007	40,996	42,037
Foreign currency translation, year-end exchange rate	-2	0	-2,479	-2,481
Depreciation	56	123	8,753	8,932
Reversed depreciation on disposals	0	-577	-4,006	-4,583
Reclassification of previous years	0	32	441	473
Depreciation at 31 December 2017	**88**	**585**	**43,705**	**44,378**
Carrying amount at 31 December 2017	**2,109**	**271**	**10,265**	**12,645**

Notes

Note 12 - Tangible assets, continued

DKK ´000	Leasehold improvements	Fixtures and equipment	Total
Parent 2018			
Balance at 1 January 2018	486	27,083	27,569
Additions	0	800	800
Disposals	0	-3,230	-3,230
Balance at 31 December 2018	**486**	**24,653**	**25,139**
Depreciation and write-downs at 1 January 2018	299	24,016	24,315
Depreciation	78	1,913	1,991
Reversed depreciation on disposals	0	-2,980	-2,980
Depreciation at 31 December 2018	**377**	**22,949**	**23,326**
Carrying amount at 31 December 2018	**109**	**1,704**	**1,813**

DKK ´000	Leasehold improvements	Fixtures and equipment	Total
Parent 2017			
Balance at 1 January 2017	101	22,471	22,572
Additions	0	936	936
Additions relating to acquisitions	725	3,024	3,749
Disposals	0	-160	-160
Reclassification of previous years	-340	812	472
Balance at 31 December 2017	**486**	**27,083**	**27,569**
Depreciation and write-downs at 1 January 2017	88	17,875	17,963
Depreciation	91	4,717	4,808
Additions relating to acquisitions	119	1,111	1,230
Reversed depreciation on disposals	0	-158	-158
Reclassification of previous years	1	471	472
Depreciation at 31 December 2017	**299**	**24,016**	**24,315**
Carrying amount at 31 December 2017	**187**	**3,067**	**3,254**

Notes

Note 13 - Investments in subsidiaries

	Parent Company	
DKK ´000	2018	2017
Balance at 1 January	501,259	359,540
Additions	554,774	141,719
Disposals	-94,027	0
Balance at 31 December	**962,006**	**501,259**
Amortization and write-down at 1 January	-86,002	-85,881
Write-down	0	-121
Reversal of writedown on disposal	548	0
Amortization and write-down at 31 December	**-85,454**	**-86,002**
Carrying amount 31 December	**876,552**	**415,257**

Additions of investments in subsidiaries in 2018 relate to acquisition of iStone AB (Sweden) and restatement of intercompany loan and receivables with Columbus US. Disposals in 2018 relate to liquidation of Columbus NSC A/S, MW Data A/S (Denmark) and sale of Columbus IT Partner SIA (Latvia). Reversal of write-down relate to sale of Columbus IT Partner SIA (Latvia).

Additions of investments in subsidiaries in 2017 relate to registration of R H ApS (Denmark), restatement of intercompany loan with Columbus US and share capital increase in Columbus IT Partner SIA (Latvia). Write-down in 2017 relates to Columbus IT Partner SIA (Latvia).

Notes

Note 14 – Trade receivables

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Receivables (gross) at 1 January	**157,793**	**167,941**	**58,064**	**41,987**
Change in receivables during the period	169,574	-10,148	3,538	16,077
Receivables (gross) at 31 December	**327,367**	**157,793**	**61,602**	**58,064**
Provisions for bad debt at 1 January	**8,893**	**16,466**	**2,967**	**1,750**
Change in provisions for bad debt during the period	4,451	-3,597	-2,833	1,458
Loss realized during the period	-2,088	-3,975	444	-241
Provisions for bad debt 31 December	**11,256**	**8,893**	**578**	**2,967**
Carrying amount at 31 December	**316,111**	**148,900**	**61,024**	**55,097**

Provisions for bad debt are made based on the lifetime expected credit losses in line with the Groups accounting policies.

The change in the Groups trade receivables is mainly due to the acquisition of iStone.

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Age of receivables (gross):				
Not due	178,647	85,860	35,631	36,286
0-30 days	99,667	49,803	18,193	16,117
30-60 days	22,327	8,816	5,304	993
61-90 days	9,634	5,827	1,575	1,804
91-180 days	7,514	4,339	305	844
181-270 days	2,118	1,184	72	353
270-360 days	2,018	1,238	27	950
Above 360 days	5,442	726	496	716
Total	**327,367**	**157,793**	**61,602**	**58,064**

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Age of impairment:				
Not due	351	0	25	0
0-30 days	498	0	18	0
30-60 days	558	1,370	20	162
61-90 days	723	1,457	11	752
91-180 days	1,503	3,037	5	211
181-270 days	847	1,065	2	177
271-360 days	1,334	1,238	1	950
Over 360 days	5,442	726	496	716
Total	**11,256**	**8,893**	**578**	**2,967**

Notes

Note 14 – Trade receivables, continued

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Provision matrix:				
Not due	0.2%	0.0%	0.1%	0.0%
0-30 days	0.5%	0.0%	0.1%	0.0%
30-60 days	2.5%	15.5%	0.4%	16.3%
61-90 days	7.5%	25.0%	0.7%	41.7%
91-180 days	20.0%	70.0%	1.6%	25.0%
181-270 days	40.0%	90.0%	2.8%	50.1%
271-360 days	66.1%	100.0%	3.8%	100.0%
Over 360 days	100.0%	100.0%	100.0%	100.0%

Note 15 – Contract assets and contract liabilities

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Balance at 1 January	**-4,179**	**-852**	**-2,364**	**-267**
Changes contract assets during the period	38,322	-31,576	3,549	-24,559
Changes on account billing and prepayments during the period	-39,571	28,250	-3,487	22,462
Balance at 31 December	**-5,427**	**-4,179**	**-2,302**	**-2,364**
Work in progress	66,125	27,804	16,703	13,154
On account billing and prepayments	-71,553	-31,982	-19,005	-15,518
Balance at 31 December	**-5,427**	**-4,179**	**-2,302**	**-2,364**
The net value is included in the balance as follows:				
Contract assets	25,317	7,577	2,520	2,363
Contract liabilities (client prepayments)	-30,745	-11,755	-4,822	-4,727
Balance at 31 December	**-5,427**	**-4,179**	**-2,302**	**-2,364**

Contract assets has been tested for impairment in line with the groups accounting principles. The result of the impairment test was insignificant in relation to the Group's consolidated financial statement and did not give rise to any impairment of the contract work in progress.

Of the contract liabilities (client prepayments) as of 31 December 2017 (DKK 11.755k) DKK 10,807k has been recognised as revenue in the reporting period corresponding to 92%.

The increase in "Contract assets" and "Contract liabilities" is primarily due to the acquisition of iStone and HiGH Software.

The groups total value of contracts relating to "Contract assets" represents DKK 225,075k as of 31 December 2018. DKK 78,214k of the total contract value is recognised as revenue as of 31 December 2018. The remaining DKK 146,861k is expected to be recognised as revenue within 12-18 months from the balance date.

Notes

Note 16 – Share capital

The share capital consists of 121,787,132 shares of DKK 1.25, corresponding to DKK 152,234k (nom.). The shares are not divided into classes, and no shares have any special rights. The share capital is fully paid up.

In 2018 the Company increased the capital by 1,921,500 shares of DKK 1.25, corresponding to DKK 2,402k (nom.) as a result of exercised warrant programs.

In 2017 the Company increased the capital by 3,667,860 shares of DKK 1.25, corresponding to DKK 4,585k (nom.) as a result of exercised warrant programs.

	Parent Company	
	2018	2017
Number of shares at the beginning of the year	119,865,632	116,197,772
Capital increase	1,921,500	3,667,860
Number of shares at the end of the year	**121,787,132**	**119,865,632**

Note 17 – Provisions and contingent consideration

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Contingent consideration	227,259	6,339	214,552	0
Other provisions	12,015	604	2,472	604
	239,274	**6,943**	**217,024**	**604**

DKK ´000	Contingent consideration	Other provisions	Total
Group 2018			
Balance (non-current) at 1 January 2018	**6,339**	**604**	**6,943**
Balance (current) cf. Note 17 at 1 January 2018	**14,447**	**0**	**14,447**
Foreign currency translation, year-end exchange rate	-842	0	-842
Additions during the period	315,108	23,911	339,019
Achieved earn out during the period	-13,060	0	-13,060
Unachieved earn out reversed during the period	-6,174	0	-6,174
Carrying amount at 31 December 2018	**315,818**	**24,515**	**340,333**
Carrying amount current at 31 December 2018	**88,559**	**12,500**	**101,059**
Carrying amount non-current at 31 December 2018	**227,259**	**12,015**	**239,274**

Contingent consideration

Contingent consideration concerns earn outs related to acquisition of enterprises. The development in 2018 is related to Columbus' acquisition of iStone and HiGH Software. Estimates and judgements concerning the earn out calculations and the future outcome are subject to significant uncertainties.

Other provisions

Other provisions primarily concern provision for loss on contract related to the acquisition of iStone.

Notes

Note 17 – Provisions and contingent consideration, continued

DKK ´000	Contingent consideration	Other provisions	Total
Parent 2018			
Balance (non-current) at 1 January 2018	**0**	**604**	**604**
Balance (current) cf. Note 17 at 1 January 2018	**1,803**	**0**	**1,803**
Additions during the period	296,440	1,868	298,308
Achieved earn out during the period	-1,803	0	-1,803
Carrying amount at 31 December 2018	**296,440**	**2,472**	**298,912**
Carrying amount current at 31 December 2018	**81,888**	**0**	**81,888**
Carrying amount non-current at 31 December 2018	**214,552**	**2,472**	**217,024**

Contingent consideration

Contingent consideration concern earn outs related to acquisition of enterprises. The development in 2018 is related to Columbus' acquisition of iStone. Estimates and judgements concerning the earn out calculations and the future outcome are subject to significant uncertainties.

Note 18 - Other liabilities

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Payroll cost, payroll tax, retirement benefit obligations etc.	90,973	34,512	10,253	8,236
Holiday pay etc.	72,172	42,708	28,862	26,851
VAT payable	30,841	15,427	4,520	4,489
Other liabilities	28,688	23,222	4,512	5,133
Other provisions	12,500	0	0	0
Contingent consideration	88,559	14,447	81,888	1,803
	323,734	**130,316**	**130,035**	**46,512**

The carrying amount of other liabilities matches the fair value of the liabilities.

The holiday pay obligation represents the Groups obligation to pay salary during employees' holiday in the following financial year.

Contingent consideration is the short term part of earn out regarding iStone, HiHG Software, Tridea and BMI.

The increase in Payroll cost, payroll tax, retirement benefit obligations etc. is primarily due to the acquisition of iStone.

Other provisions concern the current provision for loss on contract related to the acquisition of iStone.

Notes

Note 19 - Contingent liabilities and commitments for expenditures

Group

Contractual obligations
Group companies have entered into various housing lease agreements, and the total lease obligation in the interminable part of the lease period amounts to DKK 74.6m (2017: DKK 50.0m).

Further, various leasing agreements (primarily cars) have been entered into in relation to operating equipment, and total liabilities amount to DKK 26m (2017: DKK 8.2m).

Parent Company

Contractual obligations
Parent company has entered into various housing lease agreements, and the total lease obligation in the interminable part of the lease period amounts to DKK 9.7m (2017: DKK 10.8m).

Further, various leasing agreements (primarily cars) have been entered into in relation to operating equipment, and total liabilities amount to DKK 2.0m (2017: DKK 1.6m).

Contingent liabilities
The Danish jointly taxed companies are jointly and severally liable for tax on joint taxation income.

The Company is included in Danish jointly taxation with Consolidated Holdings A/S as controlling company. Thus, the Company is, in accordance with the Danish Corporation Tax Act, from financial year 2013 liable for income tax etc. for the jointly taxed companies and from 1 July 2012 also for potential liabilities, including withholding tax on interest, royalties and profits for these companies.

Notes

Note 19 - Contingent liabilities and commitments for expenditures, continued

Rental and lease commitments

Future rental and lease commitments corresponding to current contracts are as follows:

DKK ´000	2018			2017		
Group	Buildings	Fixtures and operating equipment	Total	Buildings	Fixtures and operating equipment	Total
Less than 1 year	32,481	21,256	53,737	22,504	4,270	26,774
Between 1 and 5 years	53,889	4,719	58,608	48,022	3,905	51,926
More than 5 years	9,005	0	9,005	4,355	0	4,355
	95,375	**25,975**	**121,350**	**74,881**	**8,175**	**83,055**

In 2018, an amount of DKK 38,994k has been recognized regarding Buildings and DKK 6,199k regarding Fixtures and operating equipment in the comprehensive income statement for the Group, that is deriving from operational leasing.

The Group leases operating equipment and inventory on operational lease agreements. The lease period is usually between 2 and 7 years with the possibility of renewal on expiry. None of the lease agreements include conditional rental.

DKK ´000	2018			2017		
Parent Company	Buildings	Fixtures and operating equipment	Total	Buildings	Fixtures and operating equipment	Total
Less than 1 year	4,539	1,193	5,733	4,202	740	4,943
Between 1 and 5 years	11,312	874	12,186	17,551	849	18,400
More than 5 years	0	0	0	0	0	0
	15,851	**2,067**	**17,919**	**21,753**	**1,589**	**23,343**

In 2018, an amount of DKK 7,008k has been recognized regarding Buildings and DKK 595k regarding Fixtures and operating equipment in the comprehensive income statement for the Parent Company, that is deriving from operational leasing.

The Parent company leases operating equipment and inventory on operational lease agreements. The lease period is usually between 2 and 7 years with the possibility of renewal on expiry. None of the lease agreements include conditional rental.

Financial lease commitments

During 2018 Columbus has entered into financial lease commitments by the acquisition of iStone AB. Future financial lease commitments corresponding to current contracts are as follows:

DKK ´000	2018			2017		
Group	Buildings	Fixtures and operating equipment	Total	Buildings	Fixtures and operating equipment	Total
Less than 1 year	0	2,222	2,223	0	0	0
Between 1 and 5 years	0	7,296	7,295	0	0	0
More than 5 years	0	0	0	0	0	0
	0	**9,518**	**9,518**	**0**	**0**	**0**

The Group's financial leases consists of car leases. The lease period is usually 3 years, with the possibility of renewal on expiry.
The Parent Company has no financial lease agreements.

Notes

Note 20 – Business combinations

Acquisition of companies in 2018

The Group has per 2 January 2018 acquired 100% of the shares in iStone AB.
As of 9 January 2018 the Group acquired 100% of the shares in HiGH Software and as of 1 June 2018 the Group acquired 100% of the shares in HÄT Systems.

Name	Primary activity	Date of control gained	Acquired ownership	Acquired voting rights	Total consideration DKK '000
iStone AB	Distribution and implementation of standardised business solutions.	2nd January	100%	100%	492,641
HiGH Software	Development and distribution of software.	9th January	100%	100%	61,660
HÄT Systems	Distribution and implementation of standardised business solutions.	1st June	100%	100%	12,350
Total					**566,651**

With the acquisition of iStone, Columbus enters the Swedish market and at the same time gains a market leading position within business applications and IT services in selected industries in the Nordic Region. In addition the combination of iStone and Columbus expands Columbus' global footprint.

The acquisition of HiGH Software, which includes HGH Business Consultancy, enables Columbus to drive further innovation and growth within the growing market for equipment rental and leasing across industries.

HÄT Systems matches Columbus both within location, market focus and technology expertise and has since it was established in 2005 reached significant results including two-digit growth in earnings. With HÄT Systems on board, Columbus becomes a leading player within digital transformation to a larger market segment and the number one Dynamics NAV company in Estonia.

Divested companies and activities in 2018

As part of the implementation plan of iStone, Columbus entered into an agreement to divest its subsidiary iStone Sapience AB (Sweden). The divestment was implemented with effect from 30 June 2018 after which the control of the company has been transferred to itelligence AB. The sales price was SEK 6m. The divested SAP-ERP business unit had a revenue of DKK 19.8m in H1 2018 and an EBITDA of DKK -3.8m.

Notes

Note 20 – Business combinations, continued

DKK ´000	iStone AB	iStone AB adjustment opening balance	iStone AB after adjustment	HiGH Software	HÄT Systems	Total
Tangible fixed assets	14,093	0	14,093	998	37	15,128
Financial fixed assets	310	0	310	0	0	310
Other intangible assets	46,807	0	46,807	13,620	834	61,261
Other receivables	560	0	560	0	0	560
Deferred tax assets	1,789	0	1,789	0	0	1,789
Total non-current assets	**63,559**	**0**	**63,559**	**14,618**	**871**	**79,048**
Trade receivables	146,168	0	146,168	13,881	1,243	161,292
Work in progress	3,274	0	3,274	0	52	3,326
Tax receivables	9,819	0	9,819	0	0	9,819
Prepayments	20,420	0	20,420	0	0	20,420
Other receivables	3,999	0	3,999	901	0	4,900
Cash	31,209	0	31,209	8,653	998	40,860
Total current assets	**214,890**	**0**	**214,890**	**23,435**	**2,293**	**240,618**
Trade payables	-30,213	0	-30,213	-4,379	-663	-35,255
Debt to credit institutions	-23,967	0	-23,967	0	0	-23,967
Corporation tax and deferred tax	-21,346	9,140	-12,206	-2,889	0	-15,096
Deferred income	-6,775	0	-6,775	0	-30	-6,805
Accruals	-88,345	-41,544	-129,889	-10,314	0	-140,203
Other debt	-32,506	0	-32,506	-387	-975	-33,869
Total current debt	**-203,153**	**-32,404**	**-235,557**	**-17,969**	**-1,667**	**-255,194**
Net assets acquired	**75,295**	**-32,404**	**42,891**	**20,084**	**1,496**	**64,472**
Goodwill	417,346	32,404	449,750	41,576	10,853	502,179
Total consideration	**492,641**	**0**	**492,641**	**61,660**	**12,350**	**566,651**
Net working capital not paid	-15,671	0	-15,671	0	0	-15,671
Acquired cash funds	-31,209	0	-31,209	-8,653	-998	-40,860
Contingent consideration	-296,440	0	-296,440	-18,617	0	-315,058
Cash consideration on acquisition date	**149,320**	**0**	**149,320**	**34,390**	**11,352**	**195,062**

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill in relation to the acquisitions were assessed to DKK 502m.

In the 12 months measuring period from the acquisition date goodwill related to the iStone acquisition is adjusted with net DKK 32m due to impairment of fixed price projects. Accruals have been adjusted with DKK 41m and deferred tax has been adjusted with DKK 9m. The adjustments is recognised in the opening balance to reflect new information obtained about facts and circumstances that existed as of the acquisition date, and if known, would have affected the measurement of the amounts recognized as of that date. The adjustment (accrual) is associated with estimates and judgements that are based on assumptions concerning future developments. The actual development may therefor differ from the estimates and judgements made as more detailed information becomes available. Management has used all information available to mitigate the uncertainty and assess that the accrual for loss on projects in the opening balance is fair.

Estimated tax deductibility of goodwill for iStone AB, HiGH Software and HÄT Systems is DKK 0m.

Notes

Note 20 – Business combinations, continued

Contingent consideration for iStone AB is DKK 296m. The contingent consideration is determined by EBITDA thresholds in 2018, 2019 and 2020.The consideration is recognized as if these thresholds will be met.

Contingent consideration for HiGH Software is DKK 18.6m. The contingent consideration is determined by gross profit thresholds in 2018, 2019 and 2020. The consideration is recognized as if these thresholds will be met.

Contingent consideration for HÄT Systems is DKK 0k. The contingent consideration is determined by fulfilment of the non-competition and non-solicitation obligations according to the Share Purchase Agreement.

DKK ´000	iStone AB	HiGH Software	HÄT Systems	Total
Fair value assessment of trade receivables				
Trade receivables, gross amount	153,769	13,881	1,243	168,893
Trade receivables, not expected to be collected	-7,601	0	0	-7,601
Trade receivables, fair value	**146,168**	**13,881**	**1,243**	**161,292**

HiGH Software and HÄT Systems have been implemented completely in the business and in the books, and a separation of the businesses is impracticable. The amount of revenue and profit or loss, for the period from the acquisition date as well as proforma figures for the year 2018 has consequently not been stated. iStone AB has since acquisition 2 January 2018 had a revenue of DKK 692m and a result after tax of DKK -13.3m. The result in iStone is significantly affected by a provision for loss on contracts after deferred tax of DKK 16.7m and management fees from Group in the amount of DKK 9.1m. The net result excl these adjustments is DKK 12.5m and EBITDA is DKK 27.8m.

Acquisition of companies in 2017

As of 9 January 2017 the Group acquired 100% of the shares in Tridea Partners LLC.

Name	Primary activity	Date of control gained	Acquired ownership	Acquired voting rights	Total consideration DKK '000
Tridea Partners LLC	Distribution and implementation of standardised business solutions.	9th January	100%	100%	60,381
Total					**60,381**

The acquisition of Tridea Partners LLC has strengthened Columbus' coast-to-coast reach in US market and underlines the goal of being recognized as a strategic business partner that leads customers in the digital business transformation.

Notes

Note 20 – Business combinations, continued

DKK ´000	Tridea Partners LLC	Total
Other intangible assets	5,532	5,532
Total non-current assets	**5,532**	**5,532**
Trade receivables	3,727	3,727
Other receivables	655	655
Cash	4,543	4,543
Total current assets	**8,925**	**8,925**
Trade payables	-1,425	-1,425
Other debt	-3,824	-3,824
Total current debt	**-5,249**	**-5,249**
Net assets acquired	**9,209**	**9,209**
Goodwill	51,172	51,172
Total consideration	**60,381**	**60,381**
Acquired cash funds	-4,543	-4,543
Contingent consideration	-13,837	-13,837
Cash consideration on acquisition date	**42,001**	**42,001**

After recognition of identifiable assets, liabilities and contingent liabilities at fair value, goodwill in relation to the acquisition was assessed to DKK 51.1m.

Estimated tax deductibility on goodwill for the Tridea Partners LLC acquisition is DKK 42.9m. Goodwill is for tax purposes amortized over 15 years.

Contingent consideration for Tridea Partners LLC is DKK 13.8m. The contingent consideration is determined by certain contribution thresholds in 2017 and 2018 for the combined business and by certain staff retention. The consideration is recognized as if these thresholds will be met.

DKK ´000	Tridea Partners LLC	Total
Fair value assessment of trade receivables		
Trade receivables, gross amount	3,727	3,727
Trade receivables, not expected to be collected	0	0
Trade receivables, fair value	**3,727**	**3,727**

Tridea Partners LLC has been implemented completely in the business and in the books, and a separation of the business is impracticable. The amount of revenue and profit or loss for the period from the acquisition date as well as proforma figures for the year 2017 have consequently not been stated.

Notes

Note 21 - Related parties

Consolidated Holdings A/S has a controlling interest in the Columbus Group, including Columbus A/S.

Other related parties with significant influence in the Columbus Group are the Company's Board of Directors, Executive Board and certain executives and their related parties. Furthermore, related parties are companies in which the above persons have significant influence.

Related parties with controlling interest
Consolidated Holdings A/S (Fredheimvej 9, 2950 Vedbæk)
Consolidated Holdings A/S owns 46.42% of the shares in Columbus A/S. Consolidated Holdings A/S has a controlling interest in Columbus A/S, as Consolidated Holdings A/S, through its shareholding and its shareholder voting agreements, controls the majority (47.39 %) of the votes at the annual general meeting. Transactions with the company are made on an arm's length basis. Ib Kunøe is the majority shareholder in Consolidated Holdings A/S.

Dividend to Consolidated Holdings A/S is paid on equal principals as with other shareholders. Furthermore, Consolidated Holdings A/S is in a joint taxation with the Danish entities in the Columbus Group, with Consolidated Holdings A/S as management company. In 2018 Columbus paid tax to Consolidated Holdings A/S for DKK 435k (2017: DKK 8.6m).

Related parties with significant influence
ATEA (Lautrupvang 6, 2750 Ballerup)
Transactions with the company are made on an arm's length basis. Consolidated Holdings A/S has significant influence in ATEA, and certain dual roles in the management are filled by the same persons in ATEA and the Columbus Group.

DKK ´000	2018	2017
Net sales		
Atea	3.739	5.158
Total	**3.739**	**5.158**
Net purchase		
Atea	-7.658	-7.979
Total	**-7.658**	**-7.979**
Trade receivables		
Atea	905	904
Total	**905**	**904**
Trade payables		
Atea	-2.089	-2.088
Total	**-2.089**	**-2.088**

Notes

Note 21 - Related parties, continued

Executive Board and Board of Directors
Remuneration of the Executive Board, the Board of Directors and executives appears from note 5.

Subsidiaries
Related parties in Columbus also comprise the subsidiaries in which the Company has controlling interest, cf. the Group overview.

Trading with subsidiaries was as follows:

	Parent Company	
DKK ´000	2018	2017
Purchase from subsidiaries	-35.012	-23.748
Sold to subsidiaries	66.506	42.649

Purchases from subsidiaries are primarily consultancy and development hours from Columbus' Global Delivery Center, and internally developed software for customer sales.
Sold to subsidiaries are primarily service and tools fees, consultancy and development hours, as well as cost split for the shared service center in Columbus' Danish and Norwegian companies.

Transactions with subsidiaries are eliminated in the consolidated financial statements in accordance with applied accounting policies.

Outstanding accounts with subsidiaries
Columbus' outstanding accounts with subsidiaries are shown directly in the balance sheet. Outstanding accounts are interest-bearing. The interest payment of outstanding accounts is shown in note 8. Payment terms for regular outstanding accounts are invoiced month + 30 days.

Note 22 - Fee to the Group's auditor elected by the annual general meeting

	Group		Parent Company	
DKK ´000	2018	2017	2018	2017
Auditor elected by the annual general meeting				
Statutory audit	1,345	1,200	551	468
Other services	135	0	135	0
	1,480	**1,200**	**686**	**468**
Other auditors				
Statutory audit	1,954	257	0	0
Tax and VAT advisory services	92	157	0	0
Other services	147	41	0	0
	2,193	**455**	**0**	**0**
Total audit fee	**3,673**	**1,654**	**686**	**468**

Notes

Note 23 - Financial risks and financial instruments

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. For all the primary financial instruments, the carrying amounts are equivalent to the fair value.

The below maturity analysis is based on undiscounted cash flow, and the method of accounting is equivalent to Columbus' cash flow exposure going forward. The maturity analysis shows a balanced current ratio.

DKK ´000	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Group 2018				
Financial assets				
Trade receivables	316,111	0	0	316,111
Contract work in progress	25,317	0	0	25,317
Corporate tax receivables	1,278	0	0	1,278
Other receivables	11,327	0	8,289	19,616
Prepayments	25,136	0	0	25,136
Cash and bank balances	108,909	0	0	108,909
Total financial assets	**488,078**	**0**	**8,289**	**496,367**
Financial liabilities				
Debt to credit institutions	7,494	184,270	0	191,764
Client prepayments	30,745	0	0	30,745
Trade payables	105,585	0	0	105,585
Corporate tax payables	4,514	0	0	4,514
Other liabilities	323,734	0	0	323,734
Accruals	73,206	0	0	73,206
Provisions	0	239,274	0	239,274
Total financial liabilities	**545,278**	**423,544**	**0**	**968,822**
Ratio	**0.90**			**0.51**

Apart from debt to credit institutions and provisions, the above maturity analysis represents the contractual undiscounted cash flows. For debt to financial institutions, the expected interest payments in addition to the above payments amount to DKK 1.4m within 1 year and DKK 2.9m between 1 and 5 years. The amount for provisions in the above maturity analysis relate to contingent considerations in business combinations and is managements best estimate of the amount expected to be paid, at present value.

Notes

Note 23 - Financial risks and financial instruments, continued

DKK ´000	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Group 2017				
Financial assets				
Trade receivables	148,900	0	0	148,900
Contract work in progress	7,577	0	0	7,577
Corporate tax receivables	3,397	0	0	3,397
Other receivables	3,217	0	5,162	8,379
Prepayments	12,942	0	0	12,942
Cash and bank balances	88,235	0	0	88,235
Total financial assets	**264,268**	**0**	**5,162**	**269,430**
Financial liabilities				
Debt to credit institutions	8,810	607	0	9,417
Client prepayments	18,149	0	0	18,149
Trade payables	65,956	0	0	65,956
Corporate tax payables	2,266	0	0	2,266
Other liabilities	130,316	0	0	130,316
Accruals	48,765	0	0	48,765
Provisions	0	6,943	0	6,943
Total financial liabilities	**274,262**	**7,550**	**0**	**281,812**
Ratio	**0.96**			**0.96**

Financing facilities

	Group	
DKK ´000	**2018**	**2017**
Cash and bank balances	108,909	88,235
Unused credits	167,382	113,178
	276,291	**201,413**

The Group's cash reserves consist of cash and unused credits.

Foreign exchange rate risk, interest rate risk and use of financial instruments

As a consequence of the operation, investments and financing, the Group is exposed to changes in foreign exchange rates and interest rates. The Parent Company controls the financial risks in the Group centrally and coordinates the cash management, including cash generation and excess liquidity. The Group follows a finance policy approved by the Board of Directors, and operates with a low risk profile. In 2018 Columbus entered into a forward contract related to the contingent consideration to the former iStone owners in SEK. This mitigates currency risks on payment to be made in 2019, 2020 and 2021.

Fluctuations in foreign exchange rates have an effect on the Group's equity, results and revenue. As approx. 72% of the revenue comes from NOK, SEK, GBP, USD and RUB the Group has performed a sensitive analysis on the relevant foreign exchange rates. The foreign exchange rate risk for EUR is considered to be minimal.

Notes

Note 23 - Financial risks and financial instruments, continued

Equity exchange rates sensitivity

	Group	
DKK ´000	**2018**	**2017**
Effect of 10% decrease in USD	-20,680	-13,589
Effect of 10% decrease in GBP	-5,342	-5,149
Effect of 10% decrease in SEK	-47,482	0
Effect of 10% decrease in NOK	-780	-1,263
Effect of 10% decrease in RUB	-1,061	-945

Profit after tax exchange rates sensitivity

	Group	
DKK ´000	**2018**	**2017**
Effect of 10% decrease in USD	-847	1,301
Effect of 10% decrease in GBP	-1,957	-2,925
Effect of 10% decrease in SEK	-342	0
Effect of 10% decrease in NOK	488	-127
Effect of 10% decrease in RUB	-341	-452

Revenue exchange rates sensitivity

	Group	
DKK ´000	**2018**	**2017**
Effect of 10% decrease in USD	-34,778	-41,938
Effect of 10% decrease in GBP	-19,336	-19,914
Effect of 10% decrease in SEK	-69,164	0
Effect of 10% decrease in NOK	-4,366	-6,011
Effect of 10% decrease in RUB	-6,585	-7,014

Interest rates
Fluctuations in interest rates have an effect on the Group's financial instruments. By the end of 2018 an increase in interest rates of half a percentage point would increase the Group's financial interests by DKK 959k (2017: DKK 47k). The financial interests included in the sensitivity analysis include long-term and short-term debt to credit institutions.

Credit risks
The Group's credit risks primarily derive from trade receivables. Trade receivables are distributed between many customers and geographical areas. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum credit risk on the balance sheet date equals the carrying amount.

Optimization of capital structure
The Group management continuously estimates whether the capital structure is in accordance with the interests of the Company and shareholders. The overall goal is to ensure a capital structure which supports long-term financial growth, and at the same time maximizes the return to the Group's stakeholders through optimization of the debt and equity balance. The Group's capital structure consists of debt, comprising financial liabilities such as bank loans, financial leasing, corporation tax payable, cash and equity, including share capital, reserves for foreign exchange adjustments and profit/loss carried forward.

Breach of loan agreements
The Group has neither in the financial year 2018 nor in 2017 failed to perform or defaulted on any loan agreements.

Notes

Note 24 - Changes in working capital

DKK ´000	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Change in receivables and contract assets	-24,928	721	-52,431	-29,080
Change in inventories	22	179	0	0
Change in trade payable and liabilities	5,200	-1,537	-952	9,596
Change in other liabilities	-16,379	-23,058	-69,824	503
Cash flow from changes in working capital	**-36,085**	**-23,695**	**-123,207**	**-18,981**

Note 25 - Cash flow from financing activities

DKK ´000	Additions relating to acquisitions	Cash flows	Non-cash changes: New finance leases	Non-cash changes: Foreign exchange movements	Cash flow from financing facilities
Group 2018					
Short term lease liabilities	0	0	2,356	0	2,356
Short term borrowings	-24,525	-3,412	0	-260	-28,197
Long term lease liabilities	0	0	7,663	0	7,663
Long term borrowings	0	176,000	0	0	176,000
Total liabilities from financing activities	**-24,525**	**172,588**	**10,019**	**-260**	**157,822**

At the acquisitions date iStone AB had used credit facilities of DKK -25.5m, this has been paid during 2018.

Columbus has in 2018 obtained long term borrowings of DKK 176m, related to acquisition of iStone AB.

DKK ´000	Cash flows	Non-cash changes: New finance leases	Non-cash changes: Foreign exchange movements	Cash flow from financing facilities
Group 2017				
Short term lease liabilities	0	96	0	96
Short term borrowings	-19,661	0	-716	-20,377
Long term lease liabilities	0	607	0	607
Total liabilities from financing activities	**-19,661**	**703**	**-716**	**-19,674**

Notes

Note 26 - Board of Directors and Executive Board

See section "The Board of Directors and Executive Board" in the Management's Report, page 38.

Note 27 - Shareholder information

See section "Shareholder information" in the Management's Report, page 40.

Note 28 - Events after the reporting period

The Board of Directors has after preparing this Annual Report proposed an ordinary dividend to the shareholders of DKK 0.125 per share of DKK 1.25 (nom) to be approved at the Annual General Meeting on 30 April 2019. The dividend has not been included as a liability in these consolidated financial statements.

There have been no other events since 31 December 2018 which could significantly affect the evaluation of the Group's financial position and revenues at 31 December 2018. Earnings in January and February 2019 are in line with the Company's expectations.

Note 29 - Approval of publication of the Annual Report

On the Board meeting on 13 March 2019 the Board of Directors approved publication of the Annual Report 2018. The Annual Report 2018 will be submitted for approval by the shareholders of Columbus A/S on the Annual General Meeting on 30 April 2019.

Notes

Note 30 – Accounting principles

In addition to the description in Note 1, the accounting principles are as described below.

Consolidated financial statements

The consolidated financial statements include Columbus A/S and the companies in which the Group holds more than 50% of the voting rights, or otherwise has the power to govern the financial and operating policies for achieving returns or other benefits from its activities.

Principles of consolidation

The consolidated financial statements are prepared based on financial reporting for Columbus A/S and its subsidiaries. The consolidated financial statements are prepared by combining financial statements uniform items. The financial reporting that is used for the consolidation is prepared in accordance with the Group's accounting policies.

On consolidation, intercompany income and expenses, intercompany accounts and dividends, and gains and losses on transactions between the consolidated companies are eliminated.

In the consolidated financial statements items of subsidiaries are included 100%.

Minority interests

On initial recognition, minority interests are measured at fair value or at their proportionate share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The adopted method is selected for each transaction. Minority interests are subsequently adjusted for their proportionate share of changes in equity of the subsidiaries.
Comprehensive income is allocated to minority interests regardless of whether the minority interest thus may be negative. Purchase and sale of minority shares in a subsidiary that do not result in a loss of control are treated in the consolidated financial statements as an equity transaction, and the difference between the consideration and the carrying amount is allocated to the Parent Company's share of equity.

Business combinations

Newly acquired or newly established subsidiaries are consolidated from the date of acquisition or formation. The acquisition date is the date on which the Columbus Group obtains control of the acquiree. Divested companies are included in the consolidated financial statements until the date of disposal or winding up. Disposal is the date when control is actually transferred to third parties.

Acquisition of new companies or activities in which the Group obtains control of the acquisition decision, acquired business will be accounted for under the purchase method, so that the identified assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identified intangible assets are recognized separately from goodwill if they are separable or arise from a contractual right and the fair value can be measured reliably. Non-current assets which are held for sale are measured at fair value less estimated selling costs. Restructuring liabilities are only recognized in the acquisition balance sheet if they represent a liability to the acquired company. Account is taken for the tax effect of the restatements.
The purchase consideration for a company is the fair value of the consideration paid for the acquired company. If the final determination is subject to one or more future events, these fair values are recognized at the acquisition date. Costs directly attributable to the acquisition are recognized directly in the statement of comprehensive income as incurred.

Positive differences (goodwill) between, on one hand, the purchase price of an acquired company, the value of non-controlling interests in the acquiree and the fair value of previously held equity interests, and on the other hand, the fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill under intangible fixed assets. Goodwill is not amortized but is tested annually for impairment. The first impairment test is performed before the end of the year of acquisition. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis of the impairment test. The determination of cash-generating units follows the management structure and internal financial control and reporting of the Group. If the carrying amount of an asset exceeds its recoverable amount it is written down to its recoverable amount.

In case of negative differences (negative goodwill), the calculated fair values, the calculated purchase consideration for the company, the value of non-controlling interests in the acquiree and the fair value of previously held equity interests is reassessed. If the difference is still negative, the difference is recognized as income in the statement of comprehensive income.

If at the time of acquisition there is an uncertainty about the identification or

Notes

measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration, initial recognition is based on preliminary fair values. The preliminary calculated amounts can be adjusted, or additional assets or liabilities can be recognized until one year after the purchase date, if new information on conditions that existed at the acquisition date is obtained, which would have affected the calculation of values at the acquisition date, had the information been known.

Changes in estimates of contingent consideration are recognized in the statement of comprehensive income.

Gains and losses on divestments or dissolvement of subsidiaries or associates

Gains or losses on divestments or dissolvements of subsidiaries and associates are stated as the difference between the sales price or settlement price and the fair value of any remaining equity and the book value of net assets on the time of sale or winding up, including goodwill, less any minority interests. Gains or losses are recognized in the statement of comprehensive income as well as accumulated foreign currency translation adjustments previously recognized in other comprehensive income.

Foreign currency translation

Transactions in currencies other than the Group's functional currency are translated initially at the transaction date. Receivables and payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the closing rate. Gains and losses arising from the difference between the exchange and the transaction date are recognized in the statement of comprehensive income as financial items. Tangible and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured at historical cost are translated at the transaction date. Non-monetary items revalued at fair value are translated using the exchange rate at the date of revaluation. Simple forward contracts are measured at fair value and recognized in other receivables or other payables. Gain and losses arising from the forward contracts are recognized in the statement of comprehensive income as financial items.

Translation of foreign subsidiaries

On recognition in the consolidated financial statements of foreign subsidiaries with a functional currency other than Danish kroner (DKK), income statements are translated at average exchange rates for the months unless these deviate significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated at the closing exchange rates. Goodwill is considered to belong to the acquired entity and is translated at the closing rate.

Foreign exchange differences arising from the translation of foreign company balance sheet items at the beginning of the closing exchange rates, and on translation of foreign entities' income statements from average rates to closing rates are recognized in other comprehensive income. Similarly, exchange differences arising as a result of changes made directly in the foreign enterprise's equity, are also recognized in other comprehensive income. Adjustment of receivables or debt to subsidiaries which are considered part of the Parent Company's overall investment in the subsidiary in question are recognized in other comprehensive income in the consolidated financial statements, whereas they are recognized in the statement of comprehensive income of the Parent Company.

Translation of foreign associates

On recognition in the consolidated financial statements of associates with a functional currency other than DKK, the share of the profit at average exchange rates is translated, and the share of equity including goodwill is translated at closing rates.

Consolidated statement of comprehensive income

Revenue

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration Columbus expects to receive in exchange for the products or services. Revenue is recognized net of VAT, taxes etc. collected on behalf of third parties and discounts.

Columbus has chosen to apply the practical expedient to not adjust the total consideration over the contract term for the effect of incremental costs of obtaining a contract. The incremental costs to obtain a contract are recognised as an expense when incurred if the amortisation period of the asset that Columbus otherwise would have recognised is one year or less.

Columbus has chosen to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer’s payment for these services is expected to be one year or less.
Columbus typically enters into contracts that include a combination of software licenses and consulting services. These contracts are classified either as multiple element contracts or compound contracts. Multiple element

Notes

contracts and compound contracts which include multiple products and services, are generally capable of being distinct and accounted for as separate performance obligations. Multiple element contracts are contracts where price and other significant issues in the contract are negotiated independently. In this group of contracts, each element is recognized individually, so that the sale of software and consulting services is recognized separately at their standalone selling prices.
Compound contracts are contracts where price and other essential items are negotiated together and cannot be disassembled. For these types of contracts products and services are recognized as their relative estimated standalone prices. The majority of Columbus' customer base has payment terms between 14 and 30 days from the invoice date. Columbus' accounting policies for each revenue line are disclosed below.

Each revenue line is subject to the 5-step model which includes:

1. Identification of contract
2. Separation of performance obligations
3. Determining the transaction price
4. Allocation of price to performance obligations
5. Recognition of revenue

Columbus Software licenses
Columbus Software licenses are licenses to Columbus' own developed software where Columbus owns the software. Columbus software licenses are classified as on-premises software where the customer is provided with a right to use the software as it exists when made available to the customer. Revenue from distinct on-premise licenses is recognized at the point in time when the software is made available to the customer and the right to use the software has commenced.
Columbus Software subscriptions
Columbus Software subscriptions are subscriptions to Columbus' own developed software. The subscriptions to Columbus Software entitle the customer to receive new versions of the software that Columbus releases. Columbus Software subscriptions are recognized over time on a straight-line basis over the subscription period.

Columbus Cloud
Columbus Cloud is Columbus' own developed software where Columbus owns the software. Columbus Cloud is classified as software-as-a-service (SaaS), which allows customers to use hosted software without taking possession of the software. Columbus Cloud revenue includes two elements related to Columbus own Software; 1) A right to use, and 2) A right to and updates and bugfixes. The right to use is 83% of the contract value and the right to updates and support is 17%. The value of the right to use the software for the contract period is recognized at the point in time when the software is made available to the customer. The value of the right to support and bugfixes are recognized over the contract period.

External licenses
External licenses are licenses to third party software where Columbus does not own the software and Columbus is a reseller of the software. External licenses are classified as on-premises software where the customer is provided with a right to use the software as it exists when made available to the customer. Revenue from distinct on-premise licenses is recognized upfront at the point in time when the software is made available to the customer and the right to use the software has commenced.

External subscriptions
External subscriptions are subscriptions to third party software where Columbus does not own the software and Columbus is a reseller of the software subscriptions. The subscriptions to external software entitle the customer to receive new versions of the software that the third party software provider releases. External subscriptions are recognized at the point in time when the subscription is accepted by the customer as the performance obligation to Columbus is completed.

External cloud
External cloud is third party software where Columbus does not own the software and Columbus is a reseller of the usage to the software. External cloud is classified as software-as-a-service (SaaS), which allows customers to use hosted software without taking possession of the software. External cloud is recognized upfront at the point in time when the software is made available to the customer and the right to use the software has commenced as Columbus has fulfilled all its obligations.

Services/other
Professional services and other fees on time and material contracts are recognized over time as production of each project is carried out. Revenue from fixed price projects is recognized based on the value corresponding to the stage of completion method. Revenue is recognized when total income and expenses of the projects and completion at the balance sheet date can be measured reliably as Columbus satisfies its performance obligations and it is probable that the economic benefits including payments will flow to the Group. Columbus considers this input method to be an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These

Notes

amounts are included in “Contract assets”. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of “Contract liabilities”.

External project costs
External projects costs include the expenses excluding wages and salaries that are directly incurred to achieve revenue for the year and include the cost of licenses, subcontractors, etc. External project costs are recognized as the project progresses.

Other external costs
Other external costs include expenses of premises, sale and distribution, office expenses, etc.

Other operating income and expenses
Other operating income and expenses include income and expenses of a secondary nature to the Group’s primary activities, including adjustments of contingent liabilities related to acquisitions, gains and losses on disposal of intangible and tangible assets. Gains and losses on disposal of intangible and tangible assets are calculated as the selling price less selling costs and the carrying amount at the time of sale.

Dividends from subsidiaries and associates
Dividends from investments are recognized in the Parent Company’s profit in the accounting period, where the right for the dividend is earned.

Financial items
Financial items include interest income and expenses, the interest portion of finance lease payments, gains and losses on foreign currency transactions and surcharges and allowances under the account tax scheme.

Tax
Income tax for the year, comprising current tax and movements in deferred tax, is recognized in the statement of comprehensive income by the portion attributable to the profit and directly in equity or in other comprehensive income to the extent that it relates to items recognized directly in equity and in other comprehensive income. Exchange adjustments of deferred tax is recognized as part of the adjustment of deferred tax.

Current tax liabilities and receivables are recognized in the balance sheet as estimated tax on the taxable income, adjusted for prepaid tax.

When calculating the current tax, the applicable tax rates and rules on the balance sheet date is used.

Deferred tax is recognized using the balance sheet liability method on all temporary differences between accounting and tax values of assets and liabilities, except for deferred taxes on temporary differences arising on the initial recognition of goodwill or from the initial recognition of a transaction that is not a business combination, and where the temporary difference identified by the initial recognition affects neither the accounting profit nor the taxable income. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, unless the parent is able to control when the deferred tax is realized, and it is probable that the deferred tax will not crystalize as current tax in the foreseeable future. Deferred tax is calculated based on the planned use of each asset and settlement of each liability.

Deferred tax is measured based on the tax rules and rates in the respective countries, based on enacted or in reality enacted laws at the balance sheet dates that are expected to apply when the deferred tax is expected to crystallize as current tax. Changes in deferred tax due to changes in tax rates or rules are recognized in the statement of comprehensive income unless the deferred tax is attributable to transactions previously recognized directly in equity or in other comprehensive income. In the latter case, the change is also recognized in equity, respectively, in other comprehensive income.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognized at the value at which they are expected to be realized, either as net assets to offset against future taxable income or against deferred tax liabilities in the same legal tax entity and jurisdiction. It is assessed at each reporting date whether it is likely that in the future there will be sufficient taxable profits against which the deferred tax asset can be utilized.

The Parent Company is part of a mandatory Danish joint taxation with all Danish companies controlled by Consolidated Holdings A/S. The calculated Danish tax on the joint taxable income is distributed among the jointly taxed companies in proportion to their taxable income (full allocation with credit for tax losses).

Balance sheet

Intangible assets

Goodwill
Goodwill is recognized and measured at initial recognition as the difference between the cost and the net assets of the acquired company. The net assets of the acquired company are based on the fair value of assets and liabilities at the acquisition date. On recognition of goodwill, the goodwill is allocated to each of the Group’s activities that generate separate cash flows (cash generating units). The determination of cash-generating units follows the management structure and internal

Notes

financial management and reporting of the Group.

Goodwill is not amortized, but is tested annually for impairment.

Customer base
Other intangible assets are primarily capitalized to the fair value of the customer base in acquired companies, recognized during the purchase price allocation. Customer base is amortized over 7 years.

Licensing rights
Acquired license rights comprise software. These are measured at cost less accumulated depreciation and impairment losses.

License rights are amortized over the expected life or expiry of the contract, whichever is shortest. The amortization period is usually 5 years.

Acquired license rights are impaired to the recoverable amount if this is lower than the carrying value.

Development projects
Development projects are projects that are clearly defined and identifiable, where the technical feasibility, adequate resources and a potential future market or application in the group can be demonstrated and where the intention is to produce, promote or use the project. Development projects are recognized as intangible assets if the cost can be measured reliably and there is sufficient assurance that future earnings or the net selling price will cover production, sales, administration and development costs. Other development costs are recognized in the statement of comprehensive income as incurred.

Development costs are measured at cost less accumulated depreciation and impairment losses. The cost includes wages, salaries, services and other costs directly attributable to the Group's development and which are necessary to complete the project, from the time when the development project first qualifies for recognition as an asset.

After completion of the development project, development costs are depreciated on straight-line basis over the estimated useful life. The depreciation period is usually 3-5 years.

Development projects are reviewed annually to determine whether there are indications of impairment. If such an indication exists, the asset's recoverable amount is calculated. If the recoverable amount is lower than the carrying value, the development projects are impaired to this value. Development projects in progress are tested at least annually for impairment.

Tangible assets
Property plant and equipment
These are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date the asset is ready for use.

For financial leased assets, cost is the lower of the fair value or the present value of the future minimum lease payments. In calculating the present value of leases, the internal interest rate of the leasing agreement or the incremental borrowing rate is applied as the discount rate.

Fixtures and equipment are depreciated over 3 to 5 years, equal to the asset's estimated useful life. Leasehold improvements are amortized over the lease period not exceeding 5 years.

The basis for depreciation is determined taking into account the residual value less impairment losses. The value is impaired to the recoverable amount if this is lower than the carrying value. The residual value is determined at the acquisition date and reassessed annually. Depreciation is discontinued if the residual value exceeds the carrying amount.
In amendment of the depreciation period or the residual value, the effect is recognized prospectively as a change in accounting estimates.

Financial assets
Investments in subsidiaries and associates in the Parent Company's financial statement
Investments in subsidiaries and associates are measured in the Parent Company's financial statements at historical cost. If the historical cost exceeds the recoverable amount, the costs are impaired to the lower value. When dividend distributed exceeds the accumulated earnings after the acquisition date this is considered as an indication of impairment.

If the Parent Company has a legal or constructive obligation to cover a subsidiary's deficit, a provision is recognized to the extent that it exceeds amounts owed by the subsidiary.
Gains and losses on disposal of subsidiaries are calculated as the difference between the sale or liquidation amount and the carrying amount at the time of sale less costs to sell. Gains or losses are recognized in the statement of comprehensive income under "Other operating income" and "Other operating expenses".

Impairment of tangible and intangible assets as well as investments in subsidiaries
The carrying values of tangible and intangible assets of definite useful lives as well as investments in subsidiaries

Notes

are reviewed at each balance sheet date to determine any indications of impairment. If this is the case, the asset's recoverable value is determined to identify any need for impairment and the extent thereof.

If the asset does not generate cash flow independent of other assets, the recoverable amount of the smallest cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset is the higher of net selling price and capital value.

For cash-generating units, the impairment is firstly distributed on goodwill, and then any remaining impairment is distributed to other assets in the unit.

Impairment losses are recognized in the statement of comprehensive income. On any subsequent reversal of impairment losses resulting from changes in the assumptions used to determine the recoverable amount, the asset and the cash-generating unit’s carrying amount is increased to the adjusted recoverable amount, however not exceeding the carrying value of the asset or cash-generating excluding impairment. Impairment of goodwill is not reversed.

Deferred tax assets are reviewed annually and recognized only to the extent that it is probable for utilization within a five-year period.

Inventories
Finished goods, consisting primarily of software are measured at cost using the FIFO method or net realizable value, whichever is lower.

The cost of goods comprises the purchase price.

The net realizable value of inventories is calculated as the selling price less costs incurred to execute the sale and is determined taking into account marketability, obsolescence and expected selling price development.

Receivables
Receivables consist of receivables from sales of products and services and other receivables.

Receivables are measured at initial recognition at fair value and subsequently at amortized cost, which usually corresponds to nominal value less provisions for bad debts.

When assessing impairment for the Groups receivables the expected credit losses model (ECL) is applied in accordance with IFRS 9. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes. The stages determine how impairment losses are measured. For trade receivables the Group uses the simplified approach in calculating ECL’s. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

Loans to subsidiaries and associates in the Parent Company’s financial statement
Impairment losses on loans to associates will be recognized based on a 12-month ECL model.

Contract assets and contract liabilities
Contract assets and contract liabilities are measured at the sales value of the work performed less progress billings and expected losses. Market value is measured based on completion at the balance sheet date and the total expected income from the contract. The stage of completion is determined as the ratio between the resources spent and the total estimated resource for the project. For some projects where the consumption of resources cannot be used as a base, the measurement is instead based on the ratio between completed sub activities and the total project.

When it is probable that total costs will exceed total revenue on a contract work in progress, the expected loss on the contract is taken immediately as an expense and a provision.

When the outcome of a contract cannot be estimated reliably, the selling price is only recognized at cost, to the extent that it is probable, they will be recovered.

Contract assets and contract liabilities are recognized in the balance sheet under current assets or liabilities, depending on whether net value of a contract is a receivable or liability.

Costs of sales work and securing contracts are recognized in statement of comprehensive income as incurred.

When assessing impairment for the Groups contract work in progress the simplified approach under the ECL model is used in line with impairment for the Groups trade receivables.

Prepayments
Prepayments recognized under assets include expenses paid concerning subsequent financial years and are measured at cost.

Notes

Dividend
Proposed dividends are recognized as a liability at the time of approval by the general meeting (time of declaration).

Treasury shares
Acquisition, disposal and dividends on treasury shares are recognized directly in retained earnings in equity.

Translation reserve
The translation reserve comprises foreign exchange differences arising from translation of the financial report for entities with a different functional currency than Danish kroner.

Provisions
Provisions for liabilities are recognized as a result of events occurring before or at the balance sheet date, that has a legal or constructive obligation and it is probable that settlement of the obligation will result in an outflow of economic resources.

Provisions are measured at management's best estimate of the amount required to settle the obligation. Provisions with an expected maturity more than one year from the balance sheet date are measured at present value.

Pensions
Contributions to defined contribution plans are recognized in the statement of comprehensive income in the period to which they relate and any contributions payable are recognized in the balance sheet under other payables.

Share option schemes
Equity-settled share options are measured at fair value at allotment date and recognized in the income statement under share-based payment over the period in which the final right of the options vest. The balancing item is recognized directly in equity.

On initial recognition of share options, the number of options expected to vest at expiry is estimated. Subsequently revised for changes in the estimated number of vested options, so that the total recognition is based on the actual number of vested options.

The fair value of the options granted is estimated using the Black-Scholes model with the parameters stated in Note 5.

Current liabilities
Current liabilities include bank loans, trade payables and other liabilities to public authorities, etc. Current liabilities are initially measured at fair value, less any transaction costs. In subsequent periods, current liabilities are measured at amortized cost using the "effective interest method" so that the difference between the proceeds and the nominal value is recognized in the income statement under financial expenses over the loan period.

Other liabilities are measured at amortized cost.

Leasing
Lease obligations are operating leases. Lease payments under operating leases are recognized in the statement of comprehensive income over the lease term.

Deferred income
Deferred income recognized under liabilities comprises payments received concerning income in subsequent years measured at cost.

The cash flow statement

The cash flow statement is presented using the indirect method based on net operating profit.

The cash flow statement shows cash flows for the year, the change in cash, as well as the balance of cash at the beginning and end of the year.

Cash flow from operating activities
Cash flow from operating activities is calculated as profit before tax adjusted for noncash operating items, changes in working capital, interests received and paid, and corporation tax paid.

Cash flow from investment activities
Cash flows from investment activities comprise payments relating to purchase and divestment of businesses and activities, purchase and divestment of intangible and other long-term assets as well as purchase and divestment of securities not recognized as cash and dividends received. Cash flow from acquired companies is included from the date of acquisition, while cash flow from divestments is recognized until the time of sale.

Cash flow from financing activities
Cash flows from financing activities comprise changes in size or composition of share capital and related costs as well as raising and repayment of loans, repayment of interest-bearing debt, purchase and divestment of treasury shares and payment of dividend to minority shareholders.

Inception of financial leases are treated as non-cash transactions. Cash flows realigned to financial leases are recognized as payments of interest and repayment of debt.

Cash
Cash comprise cash less any overdraft facilities that are an integral part of cash management. Cash pool arrangement exist and are recognized as either net asset or liability.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the transaction date.

Notes

Segment data
Segment data are prepared in accordance with the Group's accounting policies and the Group's internal management reporting.

Segment income, expenses, segment assets, and liabilities include items directly attributable to a segment and items that can be allocated to the individual segments on a reliable basis.

Assets in the segments comprise assets used directly in segment operations, including intangible and tangible fixed assets, investments in associates, inventories, receivables from sales of goods and services, other receivables, prepayments and cash.

Liabilities related to the segments comprise of liabilities derived from segment operations, including debts to suppliers of goods and services, provisions and other payables.

Notes

Key figures, ratios and Alternative Performance Measures

Key figures and ratios

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

Other ratios are calculated in accordance with the Danish Finance Society "Recommendations & Financial Ratios 2015". The financial ratios stated are calculated as follows:

EBITDA-margin	$\dfrac{\text{Earnings before interest, tax, depreciations and amortizations (EBITDA)}}{\text{Net revenue}}$	
Operating margin	$\dfrac{\text{Operating profit (EBIT)}}{\text{Net revenue}}$	
Return of equity	$\dfrac{\text{Result after tax and excl. minority interests}}{\text{Equity excl. minority interests}}$	
Return on invested capital (ROIC)	$\dfrac{\text{EBITA}}{\text{Average invested capital including goodwill}}$	
Equity ratio	$\dfrac{\text{Equity excl. minority interests}}{\text{Total liabilities}}$	
Earnings per share (EPS)	$\dfrac{\text{Result after tax and excl. minority interests}}{\text{Average number of shares}}$	x f
Book value per share (BVPS)	$\dfrac{\text{Equity excl. minority interests end of year x 100}}{\text{Number of shares end of year}}$	x f
Cash flow per share	$\dfrac{\text{Cash flow from operations}}{\text{Average number of diluted shares}}$	x f
Adjustment factor (f)	$\dfrac{\text{Theoretical rate}}{\text{Listed price of stock the day before the subscription and/or stock right cease}}$	

Notes

Alternative Performance Measures

Service EBITDA

Service EBITDA is defined as Earnings Before Interest Depreciations and Amortization from the Columbus Service business.

The purpose is to inform about the performance in Columbus Service business which is the largest activity in the Columbus group.

Service EBITDA is defined as:
Total Service Revenue
- Total operating expenses including HQ cost (except staff cost to sale and marketing, presale consultancy, and other external sale and marketing cost)

= Service EBITDA

Columbus will discontinue Service EBITDA, as an Alternative Performance Measure with the acquisition of iStone and HiGH Software as these companies do not use this dimension in their reporting.

Recurring Revenue

Recurring Revenue includes Columbus Software maintenance, Columbus Cloud revenue, 3rd party maintenance revenue, 3rd party cloud revenue, Columbus Care agreements.

Recurring revenue does not necessarily mean a binding contractual agreement. However recurring revenue is defined as revenue with a high degree of certainty for renewal >95%.

The purpose of defining Recurring Revenue is to express a level of predictability in the revenue. The higher degree of Recurring Revenue in pct. of total revenue – the more predictable is the Columbus revenue going forward.

EBITDA before Share Based Payment

EBITDA before Share Based Payment is Earnings Before Interest Taxes Depreciation, Amortization and the expense (black Scholes value) from Share Based Payment.

The purpose of excluding Share Based Payment is that this is a non-cash consideration and therefore different caracteristics than cash based considerations. Another purpose is that the IFRS rules for expending Share Based payments is uneven through the 3-year maturing period Columbus normally exercise. EBITDA before Share Based Payment will therefore express a more comparable year over year development.

Columbus Software Sales

Columbus Software Sales is the revenue from Columbus own developed Software Solutions and thus comprise an element in the revenue composition in Columbus.

The purpose to disclose this measure is to inform readers on the performance to capitalize the Software Investments in Columbus.

Columbus® Once you know how...

For more information about Columbus visit
www.columbusglobal.com