

NORDISK GAMES A/S

Annual Report 2021

CVR No. 41484918

Nærværende årsrapport er fremlagt og
godkendt på selskabets ordinære
generalforsamling den 7 / 7 2022



Dirigent

ALLAN MATHSON HANSEN

Contents

CEO Report	4
Management's Review.....	6
<i>Consolidated Financial Highlights</i>	6
Management's review including CSR	9
Consolidated Financial Statements	
Income Statement of the Group	12
Statement of Comprehensive Income of the Group	12
Statement of Financial Position of the Group	13
Cash Flow Statement of the Group.....	15
Statement of Changes in Equity of the Group.....	16
List of Notes to the Consolidated Financial Statements.....	17
Notes to the Consolidated Financial Statements.....	18
Statements	
Statement by the Board of Directors and Management Board.....	45
Independent Auditor's Report.....	46
Parent Company Financial Statements	
Income Statement.....	49
Statement of Financial Position.....	50
Statement of Changes in Equity.....	52
Notes.....	53

CEO Report

We bring stories to life via games

During 2021 we took the next step in our history and established a legal entity and a holding company under the name Nordisk Games A/S. I am proud to be CEO and to be responsible for growing the business in accordance with the values and culture of our owner Egmont.

Nordisk Games has a history within Egmont. I started as Managing Director in 2016 with a clear purpose of building up a gaming business. We all saw a business that could be an excellent complement to all the other companies in Egmont and a perfect fit with Egmont's vision: We Bring Stories To Life.

What are games if not stories? Stories that come to life in the virtual world. Amazing stories where you, as the gamer, can live out your fantasies, imaginations and dreams. And you can take an active role in the story you have chosen to create. Take decisions. Be interactive. Communicate. Grow friendships. Build strategies. Solve intellectual puzzles. Develop a virtual me. Dress up and be that personality you always wanted to be in real life.

Our first investment, long before we established the legal entity, was in the Danish studio Flashbulb. We carefully invested in the beginning of 2017. A couple of months later we took a larger step by acquiring 22 percent of Avalanche Studios Group.

Those two studios are by the end of 2021 our two wholly owned entities and included in this very first Nordisk Games Annual Report. Avalanche Studios Group now has 500 employees in Stockholm, Malmö, Liverpool and New York. Flashbulb has 30 employees in Copenhagen.

Beside the wholly owned studios we have a handful of associated companies in our portfolio: Star Stable is a 200 employees game company in Stockholm operating a world

leading horse massively multiplayer online game (MMO) with the same name, Mercury Steam is an award winning triple-A studio in Madrid with 120 employees and Supermassive is a 300 employees market leader in interactive horror stories based in Guildford UK.

We are ready to take a larger stake when time is right.

We have also invested in Nitro Games, 40 employees in Finland, specialized in mobile shooters. The investment was made by Egmont in 2020 and the shares were transferred to Nordisk Games in May 2022, and thus not part of the consolidated numbers for 2021.

Our strategy is to buy and build the best gaming studios in the world. To invest in or acquire a company is a complicated process in itself. But the real work starts the day after the ink on the agreement has dried. We are an active owner, and we take responsibility. We bring resources and knowledge to all our studios, no matter if they are fully owned or an associate.

We created value in our portfolio. And we know we are good at it. In total we have made nine investments and seven of them have performed better than anticipated until today.

The key figures in our largest investment, Avalanche Studios Group, shows strong growth, and revenue grew from EUR 26 million the year before we first invested to EUR 84 million in 2021.

Raw Fury is also a solid proof of concept. Although it is not included in the Nordisk Games A/S numbers as the divestment of shares were done in Egmont's Games division prior to the establishment of Nordisk Games A/S as a separate holding company for the Games activities, my team has been responsible for the investment and worked closely with management in Raw Fury. In July 2018 we made the first

investment and three years later we got an offer to sell that was several times higher than our initial price. We could not say no.

We buy and build. The same strategy for wholly owned as for associated. During 2021 we grew revenue from EUR 59 million in 2020 to EUR 87 million. That is 47 percent and it does not include the associated companies. The profit before tax was almost doubled, from EUR 11 million to EUR 21 million.

If we include all our investments and calculate the pro rata revenues, we would have revenues totalling EUR 119.8 million for 2021.

During 2022 it is my goal to continue to grow the business. We will invest in and buy new gaming companies, we will buy more in existing studios and we will support the growth of the studios by our central support function.

Kind regards,

Mikkel Weider
CEO

Management's Review

CONSOLIDATED FINANCIAL HIGHLIGHTS	2021	2020	2019	2018 (*)	2017 (*)
Key figures (EUR million)					
Revenue	86.7	59.1	54.9	25.0	0.0
Profit before net financials, depreciation, amortisation and impairment losses (EBITDA)	31.5	17.4	17.0	14.6	0.0
Operating profit	18.5	8.6	10.3	12.4	0.0
Profit/(loss) from investments in associates	3.0	2.7	(2.5)	0.7	1.5
Operating profit after result from associates	21.5	11.3	7.8	13.1	1.5
Financial income and expenses, net	(0.1)	0.1	(0.3)	(0.8)	0.0
Profit before tax (EBT)	21.4	11.3	7.5	12.3	1.5
Profit for the year	19.3	9.3	5.2	11.8	1.5
Total assets	264.1	200.9	159.9	153.3	12.6
Investments in intangible assets	5.6	6.7	3.2	0.0	0.0
Investments in property, plant and equipment	4.1	6.9	5.3	0.0	0.0
Net interest-bearing debt **	151.6	101.5	100.1	98.1	9.6
Equity	62.0	22.2	0.1	0.1	0.1
Cash generated from operations ***	18.6	20.1	10.1	5.7	0.0
Financial ratios (%)					
Operating margin	21.3	14.6	18.8	49.4	0.0
Equity ratio	23.5	11.1	0	0	0.4
Return on equity	45.9	83.5	9,645.0	21,916.0	5,489.0
Average number of full-time employees	502	423	317	162	0

* Comparative figures for 2017-2018 (2017 not relevant) are not restated in connection with the implementation of IFRS 16 on 1 January 2019

** Including IFRS 16 leasing debt

*** Calculated before net financials and tax

Financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's "Recommendations & Ratios". For terms and definitions, please see the accounting policies.

The Group was established in 2021 in connection with an intra-group restructuring to consolidate Egmont's gaming activities in one individual sub-group. The Financial figures for previous years are prepared as if the group had always existed due to the 2021 business combination under common control being carried out applying the "pooling of interest method". References are made to note 1 - Accounting principles, where the accounting impact is described in further details.

The Group's primary activities

Nordisk Games A/S is the parent company of a global group of gaming studios, hereafter named Nordisk Games. Our vision is to build a global gaming powerhouse and become market leader in selected gaming verticals. The purpose is to bring amazing stories to life for the gamers and to create the leading entertainment IPs of tomorrow through the global group of gaming studios.

The growth strategy is based on current investments, acquisitions and organic growth.

Nordisk Games holds a portfolio of six European game studios. During 2021 Nordisk Games continued to grow its portfolio organically and through investments and acquisitions. Acquisitions were made in Swedish Star Stable Entertainment, and the ownership has increased to 56.6 percent by end 2021. Due to the shareholder agreement, we are still not able to consolidate Star Stable, despite the larger ownership stake. Nordisk Games also acquired all shares in Danish based Flashbulb and invested in England based Supermassive Games resulting in a 30.7 percent ownership by end of 2021.

By the end of the period, Nordisk Games operates through two fully owned studios: *Avalanche Studios Group (Sweden)* and *Flashbulb (Denmark)* and four associated studios: *Star Stable Entertainment (56.6 percent, Sweden)*, *Supermassive Games (30.7 percent, UK)*, *Mercury Steam (40 percent, Spain)*, and, finally, *Danish based Multiverse ApS, (19.95 percent)*.

Our strength is to work in partnership with our studios in a decentralized organization combining entrepreneurship, scalability, and structure. We believe the best results will happen from letting our studios have a high degree of

independence, while still benefitting from being in a larger group. Nordisk Games have a senior management with long gaming experience combined with a broad service capacity. Management of the studios is mainly executed via the boards of the studios and meetings with the CEOs, while the service and support functions are provided out of the Copenhagen office.

We have a big opportunity as the gaming market is growing and we will grow accordingly. Fortune Business Insight, January 2022, reports that the global gaming market size is expected to reach USD 546 billion in 2028, a Compound Annual Growth Rate of 13 percent between 2021 and 2028. During 2021 the global games market was estimated to have total revenues of USD 180 billion, whereof mobile account for around 50 percent.

The largest threat appears to be the growing demand for qualified game developers. As a result of that we are actively evaluating our studios attractiveness in the market and adjusting and improving where needed.

Development in activities and financial matters
Nordisk Games has since 2016 been separated within Nordisk Film's bookkeeping and measured and led with its own budget, forecasts, outcome and management.

During 2021 Egmont group decided to focus on the gaming business more actively by registering a legal entity and building a more independent organisation. A legal entity was acquired in July 2021 and in the beginning of December 2021 an intra-group business re-structuring was executed resulting in transfer of the shares in *Avalanche group, Star Stable, Flashbulb and Multiverse*. At the same time, the parent company of *Nordisk Games A/S, Egmont International Holding A/S*, transferred the shares in *Supermassive and Mercury Steam* in a non-cash capital increase (contribution in kind).

As the intra-group restructuring is a business combination under common control, figures are presented retrospectively as if the Nordisk Games group had always existed in accordance with the pooling of interest method.

The Managing Director was appointed CEO by the board of directors in Nordisk Games A/S early 2022 together with a new CFO.

One major investment is not included in Nordisk Games A/S during 2021 which is the transfer of shares in Nitro Games Oyj (50.4 percent ownership by Egmont). The shares in Nitro Games Oyj were transferred to Nordisk Games A/S in May 2022.

Profit and Loss

The revenues for 2021 were EUR 86.7 million (2020: EUR 59.1 million, all numbers within parentheses hereunder are from 2020). The growth was 47 percent, mainly driven by higher revenues from the subsidiary Avalanche Studios Group.

Other operating income amounted to EUR 6.6 million (0) from revaluation of existing shares in Flashbulb when acquiring the rest of the outstanding shares in the company at the end of 2021.

Direct cost amounted to EUR 13.0 million (9.1). The increase in direct cost is a result of expanding business in Avalanche Studios Group due to more game projects.

Personnel expenses have increased to EUR 39.8 million (26.6). The increase is a direct result of more employees due to an expanding business.

Depreciation and amortisation amounted to EUR 13.0 million (8.8). The increase is primarily a result of increasing amortisation of intangible assets in Avalanche Studios Group and Flashbulb.

Profit before tax amounted to EUR 21.4 million (11.3), corresponding to a margin of 25 percent (19). The increase in profit before tax is mainly a result of higher revenues and the impact from the revaluation of existing shares in Flashbulb of EUR 6.6 million as mentioned above.

Balance sheet

The Balance sheet on December 31, 2021 is dominated by non-current assets, EUR 208 million. From that, EUR 97 million are related to intangible assets connected to the acquisition of the two fully owned subsidiaries, Avalanche Studios Group and Flashbulb.

The second largest non-current asset is investments in associates, EUR 94 million.

Non-current assets have increased from EUR 157 million in 2020 to EUR 208 million by the end of 2021. The change is mainly connected to the acquisition of Flashbulb and the investment in the associated companies Supermassive and Star Stable during the year.

Current assets have increased from EUR 43 million in 2020 to EUR 55 million in 2021. The increase is mainly due to a higher amount of trade receivables. The changes are mainly connected to a growing operational business.

To finance the acquisitions, loans from group companies of EUR 176 million have been provided.

Cash flow

Cash flows from operating activities before net financials and tax amounted to EUR 18.6 million (20.1). Changes in working capital was negative, EUR -9.4 million, and mainly due to higher receivables.

Cash flow from investing activities was negative, EUR -37.2 million (-10.4). More than half of the negative cash flow comes from acquisitions of associated companies, EUR 21.4 million, and EUR 11.4 million is connected to acquisitions of subsidiaries.

Cash flow from financing activities was positive and amounted to EUR 21.1 million (-31.1) due to loans from Parent company to finance the additional investments described above. The growth of the business is mainly financed by cash flow from operations and borrowings from the parent company.

Acquisitions

Nordisk Games has in total paid EUR 214.5 million for shares in the portfolio companies since day one. Total paid dividends and group contributions from the portfolio companies amounts to EUR 38.4 million.

During 2021 Nordisk Games made the following investments:

In Supermassive an investment was made and Nordisk Games acquired 35 percent of the votes and 31 percent of the ownership excluding potential earn-out. For Star Stable ownership increased from 44 percent to 56 percent. Full ownership was reached in Flashbulb.

Description of the result for the year compared to expectations in last year's annual report

The growing business during 2021 is in line with expectations from last year. Nordisk Games revenue for 2021 was highly dependent on the studio Avalanche.

Events after the balance sheet date

In January 2022, Mikkel Weider was appointed as CEO at the company. Mikkel was Managing Director in the games division in Egmont before it became a separate legal entity.

In May 2022 the shares in Nitro Games were transferred to Nordisk Games A/S. The transaction was within the Egmont group and amounted to EUR 8.5 million.

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

Outlook for 2022

The expectation for 2022 is continuous growth with increasing revenues. Revenue is expected to grow mainly due to publishing of new games, but also connected to a growing gaming business world-wide. The compounded annual growth rate, CAGR, for the overall gaming market is expected to be twelve percent per year the coming five years.

Revenue is expected to increase with more than 25 percent during 2022 deriving from full-year impact of Flashbulb and organic growth. Profit before tax for 2021 was impacted with a step-up-gain on existing shares in Flashbulb of EUR 6.6 million. Adjusting for that and for similar potential step-up-gains in 2022, the profit before tax is expected to be in line with 2021.

Beside an organic growth, Nordisk Games also has an acquisition strategy. Expectations are to continue to acquire new gaming companies during 2022 and to expanding the portfolio by completing the minority-to-majority strategy.

Continued Covid -19 outbreaks or new pandemics are expected to have a low impact on Nordisk Games economy. During 2020 and 2021 the impact from the pandemic was essentially positive on the revenues.

Due to the Russian invasion of Ukraine, Nordisk Games has decided to not have any sales in Russia. The war is not expected to have a major impact on the outlook for 2022, however inflation is increasing. The impact on the salaries is more depending on a lack of competent staff on the market than increasing inflation.

Description of the Group's intellectual resources

The intellectual resources are primarily the game brands in the fully owned companies, whereof The Hunter in Avalanche is the strongest. Avalanche has also published the game Rage2 and Generation Zero.

Beside Avalanche, Nordisk Games also have an intellectual resource in the game Trailmakers developed by Flashbulb.

Secondarily, the technology developed for the games is unique and a resource. Both Avalanche and Flashbulb has developed their own game engine. With its own game engine, the freedom to elaborate is broader than with a proprietary game engine. It is also a lower direct variable cost than it is with a proprietary engine.

Thirdly, the customer base has strongly grown the last years and is a resource. Especially the game *The Hunter: Call of the Wild*, has a strong player base with 2.5 million monthly active players and 5.6 million new players during 2021 in total.

Description of the Group's R&D activities

The largest group of employees are developers working within R&D department. The work area contains programming, design, and graphics.

The R&D activities are mainly on our own IPs or as work for hire where an external company owns the IP.

The daily work is in general structured in projects. The projects have certain starting points and deadlines, allocated resources and a purpose or a mission. Beside that the projects also have one or more managers leading the project.

The main languages at R&D are C++ and JavaScript.

Description of the Group's risk exposure

Nordisk Games are mainly leaning on the risk policies that are developed by the parent company Egmont. Nordisk Games is exposed to certain financial risks, primarily related to foreign exchange and interests.

Corporate Finance at Egmont is responsible for centralised management of liquidity and financial risks in the group's wholly owned entities. The overall framework for financial risk management is laid down in the Egmont group's Treasury policy. The Treasury policy comprises the Egmont group's currency and interest rate policy, financing policy and policy regarding credit risks.

Foreign currency risks

Nordisk Games is exposed to exchange rate fluctuations due to the individual consolidated enterprises entering into purchase and sales transactions, and having receivables and payables denominated in currencies other than their functional currency. Forwarded exchange contracts are used to ensure that the actual exposure does not exceed the currency exposure limit of the Egmont group and thereby impacting the risk in Nordisk Games.

Liquidity risks

The Nordisk Games liquidity reserve comprises cash and cash equivalents and unutilised credit facilities. To ensure optimum utilisation of cash and cash equivalents the Egmont group operates with cash pools, which Nordisk Games is a part of.

Translation risks

The Nordisk Games' primary currency risk exposure is SEK and relates to the Nordisk Games' investment in the wholly owned studio Avalanche. As a main rule, this currency risk is not hedged, as ongoing hedging of such long-term investments is not considered to be the best strategy based on overall risk and cost considerations.

Statutory CSR report

Nordisk Games is wholly owned by Egmont Fonden, CVR number 11456111, and the Corporate Social Responsibility (CSR) policies, etc. implemented by Egmont is also implemented by Nordisk Games.

Egmont has since 2013 been a signatory to the UN Global Compact supporting the Ten principles of human and labour rights, protection of the environment and anti-corruption. Hence, Egmont's statutory report on CSR includes the UN Global Compact guiding principles for Communication on Progress (COP).

The full CSR report can be downloaded at: <https://www.egmont.com/key-figures-reports>.

The CSR report also includes Egmont's report on targets and policy with respect to sections 99a, 99b and 99d of the Danish Financial Statements Act on corporate social responsibility, the underrepresented gender, and on data ethics respectively.

Description of the policy concerning the underrepresented gender

The board of directors in Nordisk Games A/S consists of one woman and two men and thereby is considered an equal gender representation according to Danish law.

Management consists of one woman and three men.

Income Statement of the Group

(EURk)

Note	2021	2020	
2	Revenue	86,679	59,096
3	Other operating income	6,555	0
	Direct production costs	(12,988)	(9,131)
	Other external expenses	(9,015)	(6,012)
4	Personnel expenses	(39,767)	(26,551)
5	Depreciation, amortisation and impairment losses	(13,004)	(8,848)
	Operating profit	18,460	8,555
12	Profit after tax from investments in associates	3,031	2,702
	Operating profit after result in associates	21,492	11,257
6	Financial income	2,939	5,931
7	Financial expenses	(3,072)	(5,869)
	Profit before tax	21,359	11,319
8	Tax on profit for the year	(2,070)	(2,010)
	Net profit for the year	19,289	9,309

Statement of Comprehensive Income of the Group

(EURk)

Note	2021	2020	
	Profit for the year	19,289	9,309
	Items to be reclassified to the income statement in subsequent periods:		
	Foreign exchange adjustments on translation to presentation currency	0	(1)
	Foreign exchange adjustments on translation of foreign entities	(2,214)	4,179
15	Net value adjustment of hedging instruments after tax	(608)	162
		(2,823)	4,340
	Other comprehensive income after tax	(2,823)	4,340
	Total comprehensive income	16,466	13,649

Statement of Financial Position of the Group at 31 December

(EURk)

Note	Assets	2021	2020
	Goodwill	83,808	69,393
	Trademarks	13,537	15,075
	Own produced rights	11,185	3,492
	Own produced rights in progress	0	5,064
9	Intangible assets	108,530	93,025
	Tools and equipment	1,422	848
	Leasehold improvements	232	252
10	Property, plant and equipment	1,654	1,100
11	Lease assets	4,103	5,564
12	Investments in associates	94,141	57,781
16	Deferred tax assets	58	0
	Other non-current assets	94,199	57,781
	Total non-current assets	208,486	157,469
19	Trade receivables	20,295	6,141
	Receivables from group companies	28,592	27,637
	Corporate income tax receivable	313	0
	Other receivables	4,984	8,938
	Prepayments	944	644
	Receivables	55,128	43,360
13	Cash and cash equivalents	515	54
	Total current assets	55,643	43,414
	TOTAL ASSETS	264,128	200,883

Statement of Financial Position of the Group at 31 December

(EURk) (Continued)

Note	Equity and liabilities	2021	2020
15	Share capital	10,000	5,818
	Retained earnings and other reserves	37,332	8,575
	Proposed group contribution	14,634	7,815
	Total equity	61,966	22,209
16	Deferred tax	3,306	3,455
19	Lease liabilities	2,452	3,271
19	Loans from group companies	67,237	152,857
	Non-current liabilities	72,995	159,584
19	Lease liabilities	2,127	2,669
	Trade payables	1,844	2,392
19	Loans from group companies	108,447	6
	Corporate income tax	1,192	1,791
	Other payables	15,394	12,233
	Deferred income	164	0
	Current liabilities	129,167	19,090
	Total liabilities	202,162	178,674
	TOTAL EQUITY AND LIABILITIES	264,128	200,883

Cash Flow Statement of the Group

(EURk)

Note	2021	2020	
	Profit for the year	19,289	9,309
	Adjustment for non-cash operating items, etc.:		
	Other non-cash operating items, net	(4,352)	1,948
5	Depreciation, amortisation and impairment losses	13,003	8,848
	Cash generated from operations before change in working capital	27,940	20,105
	Change in receivables	(9,662)	(2,315)
	Change in trade payables and other payables	275	2,287
	Change in working capital	(9,386)	(28)
	Cash generated from operations	18,554	20,077
	Interest received	2	28
	Interest paid	(51)	(7)
	Interest expense, lease liabilities	(203)	(288)
	Corporate income tax paid	(1,236)	(1,867)
	Cash flows from operating activities	17,065	17,944
9	Acquisition of intangible assets	(5,639)	(6,737)
10	Acquisition of property, plant and equipment	(1,362)	(984)
12	Acquisition of associated companies	(21,403)	0
23	Acquisition of businesses	(11,407)	(2,677)
12	Dividends from joint ventures and associated companies	2,590	0
	Cash flows from investing activities	(37,221)	(10,398)
19	Borrowing from group companies	32,688	3,465
	Loans to group companies (net change in cash-pool balance)	(955)	(27,572)
19	Instalments on lease liabilities	(2,782)	(2,169)
	Group contribution	(7,815)	(4,789)
	Cash flows from financing activities	21,135	(31,065)
	Net cash flows from operating, investing and financing activities	979	(23,519)
	Cash and cash equivalents at 1 January	54	22,709
	Foreign exchange adjustment of cash and cash equivalents	(519)	864
13	Cash and cash equivalents at 31 December	515	54

The cash flow statement cannot be derived directly from the balance sheet and income statement.

Statement of Changes in Equity of the Group

(EURk)

	Share capital	Reserve for hedging transactions	Reserve for foreign exchange adjustments	Retained earnings	Proposed group contribution*	Total equity
Equity at 1 January 2021	5,818	0	4,079	4,496	7,815	22,209
Net profit for the year	0	0	0	4,655	14,634	19,289
<i>Other comprehensive income:</i>						
Foreign exchange adjustments on translation of foreign entities	0	0	(2,214)	0	0	(2,214)
Value adjustments of hedging instruments after tax	0	(608)	0	0	0	(608)
Total comprehensive income in 2021	0	(608)	(2,214)	4,655	14,634	16,466
Capital increase by contribution in kind	4,182	0	0	11,893	0	16,075
Paid group contribution	0	0	0	0	(7,815)	(7,815)
Tax on proposed group contribution	0	0	0	3,015	0	3,015
Effect of pooling of interest method in connection with business combinations under common control	0	0	0	12,016	0	12,016
Equity at 31 December 2021	10,000	(608)	1,865	36,075	14,634	61,966
Equity at 1 January 2020	54	(156)	(106)	(4,528)	4,789	54
Net profit for the year	0	0	0	1,493	7,815	9,309
<i>Other comprehensive income:</i>						
Foreign exchange adjustments on translation to presentation currency	0	(1)	0	0	0	(1)
Foreign exchange adjustments on translation of foreign entities	0	(5)	4,185	0	0	4,180
Value adjustments of hedging instruments after tax	0	162	0	0	0	162
Total comprehensive income in 2020	0	156	4,185	1,493	7,815	13,649
Capital increase by contribution in kind	5,764	0	0	16,392	0	22,156
Distributed group contribution	0	0	0	0	(4,789)	(4,789)
Tax on proposed group contribution	0	0	0	1,610	0	1,610
Effect of pooling of interest method in connection with business combinations under common control	0	0	0	(10,471)	0	(10,471)
Equity at 31 December 2020	5,818	0	4,079	4,496	7,815	22,209

* To Egmont entities outside of the Nordisk Games Group.

List of Notes to the Consolidated Financial Statements

NOTE

- 1 Accounting policies
- 2 Revenue
- 3 Other operating income
- 4 Personnel expenses
- 5 Depreciation, amortisation and impairment losses
- 6 Financial income
- 7 Financial expenses
- 8 Taxes
- 9 Intangible assets
- 10 Property, plant and equipment
- 11 Leases
- 12 Investments in associates
- 13 Cash and cash equivalents
- 14 Equity
- 15 Hedging instruments
- 16 Deferred tax
- 17 Fees to auditors
- 18 Contingent liabilities and collateral
- 19 Financial risks and financial instruments
- 20 Related parties
- 21 Standards and interpretations not yet adopted
- 22 Subsequent events
- 23 Acquisition and divestment of businesses
- 24 Group entities

1 Accounting policies

The annual report of Nordisk Games A/S for 2021 comprises both the consolidated financial statements of the parent company and its subsidiaries (the Group) and the separate financial statements of the parent company.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and additional requirements in the Danish Financial Statements Act applying to large reporting class C entities.

Nordisk Games A/S has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January – 31 December 2021. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the year.

The separate financial statements of the parent company have been prepared in accordance with the Danish Financial Statements Act.

On 7 July 2022, the Board of Directors and the Executive Board discussed and approved the annual report of Nordisk Games A/S for 2021. The annual report will be presented to the shareholders of Nordisk Games A/S for adoption at the annual general meeting on 7 July 2022 in immediate extension thereof.

BASIS OF PREPARATION

The Nordisk Games Group was established in 2021 through an internal re-structuring of the games companies within the Egmont Group. The shares in the associated companies Supermassive Games Ltd. and Mercury Steam Entertainment S.I. were contributed in kind to increase the share capital in Nordisk Games A/S, and in addition the shares in the

wholly owned subsidiary, Fatalist Partners (including the underlying investments in the Avalanche Group) and the shares in the associated companies Star Stable AB, Flashbulb ApS and Multiverse ApS were acquired internally from the respective Egmont Group companies at equity value as of 1 January 2021 against a loan from the parent company. As the business transfer is a common control transaction, the pooling of interest method has been applied as the accounting method for the business combination. Consequently, the annual report for 2021 presents the previous years' financials and comparative figures as if the Group had always existed.

As the shares have been acquired at their respective equity value (Egmont Group pre-acquisition net carrying amounts) as of 1 January 2021 against a loan from the parent company, the equity value including accumulated profits, fair value adjustments of hedging instruments, paid group contributions and exchange rate adjustments, etc., related to the period before 1 January 2021 are offset against a corresponding loan payable to the parent company at each balance sheet date (since these amounts are a part of the purchase price paid for the shares). The adjustment in equity is included within "Effect of pooling of interest method in the equity schedule".

In respect of Mercury Steam Entertainment S.I. and Supermassive Games Ltd., which were contributed in kind from the parent company, Egmont International Holding A/S, these contributions in kind are recognized and presented in the years the shares were acquired by Egmont Group being in 2020 and 2021, respectively.

As a consequence of the above accounting treatment, the Nordisk Games Group's equity during 2017-2020 is equal to the nominal share capital amount, except for the increase from the contribution in kind of Mercury Steam Entertainment S.I. in 2020.

1 Accounting policies (continued)

In 2021, the increase in Nordisk Games Group equity from result for the year and other comprehensive income is reflected. Effect of pooling of interest method in the equity schedule for 2021 amount to EUR 12,016 thousand and comprise of foreign exchange adjustments until the transaction took place in December 2021 (EUR 2,873 thousand), paid group contribution in 2021 related to 2020, and an adjustment to the purchase price compared to carrying value at 1 January 2021 (EUR 1,328 thousand).

The functional currency of Nordisk Games is Danish kroner (DKK). The consolidated financial statements are presented in euro (EUR).

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments (which are measured at fair value).

Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment, positively or negatively, to the carrying amount of assets or liabilities affected in future periods.

The most significant estimates and judgements for the Group include the following:

- Acquisition of businesses where a number of estimates and judgments are carried out related to allocation of the purchase consideration to identifiable net assets including intangible assets/goodwill as well as value adjustments (step-up acquisitions). Please refer to note 24 for further information.
- Impairment testing related to intangible assets, including goodwill as well as investments in associates. Outcome of impairment testing is dependent of the critical assumptions applied related to cash flow forecasts but also other factors such as discount rates and growth rates, cf. note 9 for further information.

Consolidated financial statements

The consolidated financial statements comprise Nordisk Games A/S and subsidiaries in which Nordisk Games A/S has control of financial and operating policies in order to obtain returns or other benefits from its activities. Control is usually obtained when the Group holds more than 50% of the voting rights, whether directly or indirectly, or otherwise has a controlling interest in the relevant entity.

Entities in which the Group has significant influence, but not a controlling interest, are considered associates. Significant influence is typically obtained when the Group, directly or indirectly, owns or holds more than 20% of the voting rights, but less than 50%.

When assessing whether Nordisk Games A/S exercises control or significant influence, the potential voting rights that are exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been prepared by consolidating the financial statements from Nordisk Games A/S and the individual subsidiaries, prepared in accordance with the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on transactions between the consolidated entities are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the associate. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

1 Accounting policies (continued)

Business combinations

Businesses acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Businesses disposed of or wound up are recognised in the consolidated financial statements until the date of disposal or winding-up. The comparative figures are not restated for newly acquired businesses. Discontinued operations are disclosed separately.

The acquisition method is used for acquisitions of new businesses over which Nordisk Games Group obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax is recognised in respect of the fair value adjustments made.

The acquisition date is the date when Nordisk Games Group effectively obtains control of the acquired business. Costs attributable to business combinations are expensed as incurred.

Step acquisitions, where either control, joint control or significant influence is obtained, the existing equity interest is remeasured at fair value and the difference between the fair value and carrying amount is recognised in the income statement as other operating income. The additional equity investments acquired are recognised at fair value in the balance sheet.

Any excess (goodwill) of the consideration transferred, the value of non-controlling interests in the acquired entity and the fair value of any existing equity interest over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under intangible assets.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test at least annually.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the presentation currency of Nordisk Games Group, are treated as assets and liabilities belonging to the foreign entity and upon initial recognition translated into the foreign entity's functional currency at the exchange rate at the transaction date.

Negative differences (negative goodwill) are recognised in profit for the year at the acquisition date.

The consideration for an acquired business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed conditions, this part of the consideration is recognised at fair value at the date of acquisition.

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it subsequently becomes apparent that the identification or measurement of the consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the determination is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and the comparative figures are restated. Subsequently, goodwill is not adjusted. Changes to estimates of contingent considerations are recognised in the income statement.

The acquisition of further non-controlling interests after obtaining control is considered an owner's transaction, and the difference between acquisition cost and the share of such non-controlling interests acquired is recognised directly in equity.

Gains and losses on the disposal or winding-up of subsidiaries, jointly controlled entities and associates are stated as the difference between the selling price or the

1 Accounting policies (continued)

disposal consideration and the carrying amount of net assets, including goodwill, at the date of disposal, less cost of disposal. If the disposal of either control, joint control or significant influence takes place in stages, the retained equity investment is measured at fair value, and the difference between the fair value and carrying amount is recognised in the income statement.

Business combinations under common control

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and where control is not transitory, are considered as business combinations under common control, if the transfer meets the definition of a business in accordance with IFRS 3.

Associated companies, which by nature is not controlled neither before nor after the transaction, which are included in a combined transaction together with controlled entities, which collectively forms a business, are also considered to be a business combination under common control.

Business combinations under common control is accounted for using the pooling of interest method, where assets and liabilities are recognized at their carrying values at the first day of the fiscal year of the transaction and thereby not resulting in recognition of new assets and liabilities, including goodwill. Comparative figures for previous years are restated to reflect the group as if the acquired business had always been owned.

Foreign currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions denominated in currencies other than the functional currency are considered foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

In the consolidated financial statements, the income statements of subsidiaries and associates with another functional currency than the presentation currency (EUR) are translated at the exchange rates at the transaction date, and the balance sheet items are translated at the exchange rates at the end of the reporting period. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign entities at the exchange rates at the end of the reporting period and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised directly in other comprehensive income and presented in equity under a separate translation reserve.

On disposal of wholly owned foreign entities or associates with another functional currency than the presentation currency (EUR), the exchange rate adjustments that have been recognised in other comprehensive income and

1 Accounting policies (continued)

are attributable to the entity are reclassified from other comprehensive income to the income statement together with any gains or losses from the disposal.

On partial disposal of foreign subsidiaries with another functional currency than the presentation currency (EUR) without a loss of control, a proportionate share of the translation reserve is transferred from the Group to the non-controlling interests' share of equity.

On partial disposal of associates, the proportionate share of the accumulated translation reserve recognised in other comprehensive income is transferred to the income statement for the year together with any gains or losses from the disposal.

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and a set-off of positive and negative values is only made when the entity has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in future cash flows are recognised in other comprehensive income in equity under a separate hedging reserve until the hedged cash flows

affect the income statement. At that time, any gains or losses resulting from such hedged transactions are transferred to other comprehensive income and recognised under the same item as the hedged item.

If the hedging instrument no longer qualifies for hedge accounting, the hedge will cease to be effective. The accumulated change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows affect the income statement. If the hedged cash flows are no longer expected to be realised, the accumulated change in value will be transferred to the income statement immediately. The portion of a derivative financial instrument not included in a hedge is recognised under financial items.

For derivative financial instruments that do not qualify for treatment as hedging instruments and changes in fair value are currently recognised in the income statement under financial items.

INCOME STATEMENT

Revenue

Nordisk Games separates customer contracts into performance obligations and recognises revenue from these separately. For customer contracts that includes more than one performance obligation, Nordisk Games allocates the transaction price to the individual performance obligations proportionate to their stand-alone selling price.

The Group recognises revenue when or as control passes to the customer. Revenue is measured at its fair value, which comprise net present value when payments exceed 12 months.

Revenue is measured excluding VAT and taxes and including all types of discounts provided to customers.

1 Accounting policies (continued)

All types of variable consideration such as rebates, penalties etc. are recognized as revenue only to the extent that it is highly probable that a significant reversal will not occur subsequently.

Gaming revenue

Gaming revenue include revenue derived from work for hire contracts and self-published games.

Work for hire

Work for hire contracts usually comprise one performance obligation that is satisfied over time as Egmont delivers hours at a fixed rate per man month, thus having a right to consideration that corresponds directly with the value transferred to the customer to date. Revenue deriving from work for hire is recognised at the amount that Nordisk Games has a right to invoice based on percentage of completion of the various milestones.

Self-published games

Revenue from self-published games without no future material free content communicated at time of release, is recognised at the time of delivery to the customer (download).

When Nordisk Games promises to deliver future material free content, the customer contract includes an additional performance obligation. Nordisk Games allocates the transaction price in such arrangements by determining the stand-alone selling price of the performance obligations that is recognised upon release.

Direct production costs

Direct production costs comprise of costs directly attributable to generating the year's income, including commissions to sales platforms, user acquisitions, etc.

Other external expenses

Other external expenses comprise costs relating to the group's primary activities, which has been incurred in the year, including costs for distribution, sales, marketing, administration, premises, bad debt losses, etc.

Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the entities, including gains and losses on the disposal of businesses (including re-measuring of existing shares in step-acquisitions), intangible assets and property, plant and equipment and right-of-use assets, as well as recognition of goodwill. Gains and losses on the disposal of entities, intangible assets and property, plant and equipment are determined as the selling price less disposal costs and the carrying amount at the date of disposal.

Gains and losses from re-measuring existing shares in step-acquisitions are determined as the fair value of new shares acquired, adjusted for control premium less the carrying value of those shares prior to the step-acquisitions.

Share of results from investments in associates

The proportionate share of the associates' results after tax and non-controlling interests after elimination of the proportionate share of intra-group gains/losses is recognised in the consolidated income statement.

Financial income and expenses

Financial income and expenses comprise interest income and expense, amortisation of financial assets and liabilities including leases and foreign exchange adjustments.

Tax for the year

Nordisk Games A/S is jointly taxed with its Danish subsidiary Flashbulb ApS and the other Danish entities within the Egmont Group. The current Danish corporation tax charge is allocated between the jointly taxed entities in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year, comprises the year's current tax charge and deferred tax adjustments. The tax expense is recognised in profit or loss, other comprehensive income or directly in equity.

Group contribution distributed from Swedish subsidiaries (Avalanche Group) to other Swedish Egmont group entities

1 Accounting policies (continued)

in the Swedish joint taxation, but outside the Nordisk Games Group are treated as an equity transaction, hence the tax income relating to deductible contributions are recognized in equity.

BALANCE SHEET

Intangible assets

Intellectual property rights with a definite useful life, such as acquired trademarks and games titles, are measured at cost on initial recognition and amortised on a straight-line basis over the useful life (typically 5 to 10 years).

Own produced rights are amortised from their release date and over the estimated useful life based on the "sum of the digits" method (also known as "rule of 78"). This is to reflect that consumption of economic benefits are significantly higher at the beginning of the games' useful life.

Amortisation is made on the basis of the asset's residual value less any impairment losses, where the assets have a definite useful life. The residual value and useful life of the assets are reassessed every year. If the residual value exceeds the carrying amount, depreciation is discontinued.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement under other operating income or other operating costs, respectively.

Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Nordisk Games has identified one cash-generating unit being the gaming business and thus constitutes the Group as a whole. This is due to synergies within the group, joint

administration and the use of the Group's games lab for testing computer games.

Trademarks

Acquired intellectual property rights, including trademarks, are measured at cost on initial recognition. Trademarks with a definite useful life are amortised on a straight-line basis over the useful life (typically 5 to 10 years).

Own produced rights

Development projects regarding in-house produced games rights that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are demonstrated, and where the Group intends to complete and use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in profit and loss under other external costs.

In-house produced games rights are measured at cost, which includes indirect production costs, accumulated amortisation and impairment, or at the recoverable amount where this is lower.

Own produced rights are amortized from their release date and over the estimated useful life based on the "sum of the digits" method, typically over 3-5 years with decreasing amortisation over the period.

Property, plant and equipment

Plant and machinery equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Subsequent costs, e.g. in connection with replacing components of plant and equipment, are recognised in the carrying amount of the relevant asset if it is probable that the costs will

1 Accounting policies (continued)

result in future economic benefits for the Group. The replaced components are derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

When individual components of an item of property, plant and equipment have different useful lives, the cost of such individual components is accounted for and depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives, based on the following estimates of the useful lives of the assets:

Tools and equipment	3 - 5 years
Leasehold improvements	3 - 5 years

Depreciation is made on the basis of the asset's residual value less any impairment losses. The residual value and useful life of the assets are reassessed every year. If the residual value exceeds the carrying amount, depreciation is discontinued.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement under other operating income or other operating costs, respectively.

Leases

Lease assets

Lease assets are recognised at the commencement date of the lease which is the date the underlying asset is available for use. Lease assets are measured at cost, less any accumulated depreciation and potential impairment, adjusted for any remeasurement of lease liabilities. The cost includes the amount of lease liabilities recognised, initial direct costs incurred less any lease incentives received. Lease terms are determined based on the contractual lease term and extension options, if such exists and are expected to be applied. Lease payments on short-term leases (lease term

of 12 months or less) and leases of low value assets are recognised as expense on a straight-line basis over the lease term in profit and loss.

Lease assets are depreciated over the shorter of the expected lease term and the estimated useful lives of the assets – which is typically 2-10 years.

If ownership of the leased assets transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The lease assets are also subject to impairment testing.

Lease liabilities

Lease liabilities are measured at the net present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that do not depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in profit and loss in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification whether it's a change in the in-substance fixed lease

1 Accounting policies (continued)

payments, a change lease term (termination or extension), or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in the interest-bearing debt.

Impairment of non-current assets

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year and if there is any indication of impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or groups of cash-generating units to which goodwill has been allocated. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount via the income statement. As a main rule, the recoverable amount is calculated as the present value of expected future net cash flows from the entity or activity (cash-generating unit or groups of cash-generating units) to which goodwill has been allocated.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is tested annually for impairment indicators. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs of disposal and its value in use. Value in use is the present value of future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement.

Impairment losses of goodwill are not reversed. Impairment losses on other assets are reversed only to the extent that

changes in the assumptions and estimates underlying the calculation of impairment losses have occurred. Impairment losses are only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Investments in associated companies

Investments in associated companies are recognised in the consolidated financial statements according to the equity method, which means that the investments are measured in the balance sheet at the proportionate share of the associated companies' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group gains and losses and plus any excess values on acquisition, including goodwill. Investments in associated companies are tested for impairment when impairment indicators are identified.

Investments in associated companies with negative net asset values are measured at EUR 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associated company, such deficit is recognised under liabilities.

On the acquisition of investments in associated companies, the acquisition method is used; see description of business combinations.

Receivables

Trade receivables are held with the objective to collect the contractual cash flows. Receivables are therefore measured at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method less any impairment. Receivables are impaired at initial recognition. The impairment equals lifetime expected credit loss allowance on receivables in accordance with the simplified approach. Accrued revenue from gaming platforms, which relate to the accounting year, but is settled in subsequent years, is included in trade receivables.

1 Accounting policies (continued)

The Group's positive cash-pool balance

Given the nature of the Group's cash pool arrangement with the Egmont Group, cash pool balances are not considered cash, but are recognised under "Receivables from group companies".

Prepayments

Prepayments, which are recognised under assets, comprise costs incurred concerning subsequent financial years. Prepayments are measured at cost.

Cash and cash equivalent

Given the nature of the Group's cash pool arrangement with the Egmont Group, cash pool balances are not considered cash, but are recognised under "Receivables from group companies".

Equity

Proposed group contribution

Group contributions from Swedish group entities to Egmont entities outside of the Nordisk Games group are recognized as a liability at the date when they are adopted at the annual general meeting. The proposed group contribution payment for the year is disclosed as a separate item under equity.

Dividend

Dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity.

Current tax payable/receivable and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill that is not deductible for tax purposes and on office premises and other items where

temporary differences, apart from business combinations, arise at the date of acquisition without affecting either result for the year or taxable income. Where different tax rules can be applied to determine the tax value, deferred tax is measured based on planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to be realised as current tax. Changes in deferred tax due to changed tax rates are recognised in the comprehensive income for the year.

Provisions

Provisions are recognised when the Group incurs a legal or constructive obligation due to an event occurring before or at the end of the reporting period, and meeting the obligation is likely to result in an outflow of economic benefits. Provisions are measured at the best estimate of the costs required to settle the obligation. The costs required to settle the obligation are discounted provided that such discounting would have a material effect on the measurement of the liability. A pre-tax discount rate is used that reflects the current market interest rate level plus risks specific to the liability.

Financial and non-financial liabilities

Financial liabilities are recognised at the date of borrowing as the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, such that the difference between the proceeds and the nominal value is recognised under financial expenses in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income, including payments received relating to income in subsequent years. Deferred income is measured at cost.

1 Accounting policies (continued)

CASH FLOW STATEMENT

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

The cash flow effect of acquisitions and disposals of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of businesses are recognised until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit for the year, adjusted for non-cash operating items, changes in working capital and corporate income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and disposal of businesses and activities and the acquisition and disposal of intangible assets, property, plant and equipment and other non-current assets, as well as securities.

Cash flows from financing activities comprise the raising of loans and repayment of interest-bearing debt including lease liabilities, donations made and transactions with non-controlling interests.

Cash and cash equivalents comprise cash and marketable securities with a residual term of less than three months at the acquisition date which are subject to an insignificant risk of changes in value.

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

FINANCIAL TERMS

In this annual report the following financial terms are used:

Operating profit (loss)	Profit (loss) before tax and net financials.
Operating profit after result from associates	Profit after results from associates.
EBITDA	Operating profit (loss) before net financials, depreciation, amortisation and impairment losses.
EBIT	Operating profit (loss)
EBT	Profit (loss) before tax

FINANCIAL RATIOS

Financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's "Recommendations & Ratios".

The financial ratios stated under financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, excl. non-controlling interests,} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year, excl. non-controlling interests,} \times 100}{\text{Average equity, excl. non-controlling interests}}$

2	Revenue	2021	2020
	Work for hire projects	31,644	20,622
	Self-published games	55,035	38,474
	Total	86,679	59,096
	At point in time	55,035	38,474
	Transferred over time	31,644	20,622
	Total	86,679	59,096

Geographical split of revenue

The majority of revenue derives from sale of self-published games mainly being distributed to gamers globally via the platforms Steam, Xbox, PS and EPIC. Consequently, revenue is not being reported on geographical level. Other data is, however, monitored closely pr. country level such as customers engagement, new players and DLC (downloadable content). Based on these data US and Western Europe are the top markets and regions when it comes to revenue.

3	Other operating income		
	Step-up gain on step-acquisition of Flashbulb ApS	6,555	0
	Total	6,555	0

4	Personnel expenses		
	Wages and salaries	29,429	19,362
	Pensions	1,404	919
	Other social security costs	8,934	6,270
	Total	39,767	26,551

Average number of full-time employees 502 423

Remuneration of key management personnel amounts to EUR 832 thousand of which pensions amount to EUR 42 thousand (2020: 0 due to the establishment of the parent company in 2021).

Remuneration of the Executive Board for 2021 and 2020 is not disclosed in accordance with Danish Financial Statement's Act 98B, section 3.2.

The Board of Directors does not receive remuneration for tasks related to their roles in the Company and no allocation from group companies has been made.

Besides remuneration, no other transactions have been carried out with the Executive Board and the Board of Directors for 2021 and 2020.

5	Depreciation, amortisation and impairment losses	2021	2020
	Amortisation, intangible assets	(7,741)	(4,316)
	Impairment losses, intangible assets	(1,729)	(1,580)
	Depreciation, property, plant and equipment	(728)	(545)
	Depreciation of lease assets	(2,806)	(2,406)
	Total	(13,003)	(8,848)

6	Financial income	2021	2020
	Foreign exchange gains	2,937	5,903
	Other financial income	2	28
	Total	2,939	5,931

7	Financial expenses		
	Foreign exchange loss	(2,557)	(4,422)
	Interest expense on lease liabilities	(203)	(288)
	Interest expense on group loans	(36)	0
	Fair value adjustment on derivatives	(260)	(1,153)
	Other financial expenses	(16)	(6)
	Total	(3,072)	(5,869)

8	Taxes		
	Current tax	(3,214)	(2,537)
	Deferred tax	1,050	531
	Adjustments for prior years, current tax	0	(4)
	Adjustments for prior years, deferred tax	94	0
	Total	(2,070)	(2,010)

Tax on the profit for the year results as follows:

Calculated tax, 22.0% on profit before tax	(4,699)	(2,490)
Adjustment of calculated tax in foreign entities relative to 22.0%	484	(16)
Tax effect of:		
Non-taxable income	1,442	0
Non-deductible expenses	(58)	(19)
Share of net profit/(loss) in associates	667	594
Adjustments for prior years	94	(4)
Other	0	(76)
Total	(2,070)	(2,011)

Effective tax rate	9.7%	17.8%
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The effective tax rate in 2021 was primarily affected by non-taxable gains in connection with the step acquisition of Flashbulb ApS (EUR 6,555 thousand).

Tax recognised in other comprehensive income:

Tax on value adjustment of hedging instruments	158	-42
Total	158	-42

9 Intangible assets

	Goodwill	Trademarks	Own-produced rights	Own-produced rights in progress	Total
Cost at 1 January 2021	69,393	21,787	8,038	6,645	105,864
Foreign exchange adjustments	(1,297)	(412)	(92)	(120)	(1,920)
Additions	0	0	5,639	0	5,639
Transferred	0	0	6,526	(6,526)	0
Additions through business combinations	15,711	3,700	1,598	0	21,009
Cost at 31 December 2021	83,808	25,075	21,709	0	130,592
Amortisation and impairment losses at 1 January 2021	0	(6,712)	(4,546)	(1,580)	(12,839)
Foreign exchange adjustments	0	158	124	(35)	247
Transferred	0	0	(1,616)	1,616	0
Amortisation	0	(4,983)	(2,757)	0	(7,741)
Impairment losses	0	0	(1,729)	0	(1,729)
Amortisation and impairment losses at 31 December 2021	0	(11,537)	(10,524)	0	(22,062)
Carrying amount at 31 December 2021	83,808	13,537	11,185	0	108,530
Cost at 1 January 2020	66,850	20,988	4,710	3,009	95,557
Foreign exchange adjustments	2,543	799	179	48	3,570
Additions	0	0	0	6,737	6,737
Transferred	0	0	3,149	(3,149)	0
Cost at 31 December 2020	69,393	21,787	8,038	6,645	105,864
Amortisation and impairment losses at 1 January 2020	0	(3,879)	(2,634)	0	(6,513)
Foreign exchange adjustments	0	(256)	(173)	0	(429)
Amortisation	0	(2,577)	(1,740)	0	(4,316)
Impairment losses	0	0	0	(1,580)	(1,580)
Amortisation and impairment losses at 31 December 2020	0	(6,712)	(4,546)	(1,580)	(12,839)
Carrying amount at 31 December 2020	69,393	15,075	3,492	5,065	93,025

Goodwill

The carrying amount of goodwill is tested for impairment annually or if there is any indication of impairment. At 31 December 2021, Management carried out an impairment test of the carrying amount of goodwill, which relates to one cash-generating unit, 'Games', cf. accounting policies.

In the impairment test, the recoverable amount, equivalent to the discounted value of expected future net cash flows, is compared with the carrying amount of the cash-generating unit.

9 Intangible assets (continued)

The recoverable amount is based on the value in use, determined by using expected net cash flows that are based on management-approved budgets and business plans for 2022, projections for subsequent years up to and including 2026, and average growth during the terminal period.

Key assumptions

The key assumptions in the calculation of value in use are development in revenues and gross margins and determination of discount rates and growth rate during terminal period.

Revenues in the Games cash-generating unit is expected to grow up to 11% annually from an increased focus on self-published games and work for hire projects while at the same time maintaining a stable cost margin.

The discount rate is determined on basis of a risk-free rate, plus market risk premium and a small stock premium. The risk-free rate is based on a 5 year-average of the risk-free rate for Denmark, Norway and Sweden. The applied pre-tax discount rate amount to 11.1% for 2021 (2020: 11.0%).

The market risk premium is calculated as a general market risk premium of 6.3% multiplied by the non-leveraged beta value. Further, a small-cap premium is added.

The non-leveraged beta values are based on the non-leveraged beta values for peer-group companies.

Expected growth during the terminal period amounts to 2.0% (2020: 2.0%), which is not estimated to exceed the long-term average growth rate in the games business.

Impairment tests for goodwill for 2021 show that the recoverable amount exceeds the carrying amount.

Sensitivity

The Group assesses that reasonably probable changes in the assumptions underlying the impairment calculations will not result in a need to write down goodwill for impairment.

Trademarks

All trademarks have a definite useful life, hence no impairment tests are required. As no indications of impairment have been identified, no impairment tests of trademarks have been performed.

Own produced rights

The Group's own produced rights primarily relate to the games "The Hunter", "Trailmakers" and "Rubber Bandits", which are performing well and contribute to the Group's profitable activities.

The Group makes regular estimates of the remaining useful lives of own produced games rights based on its expected sales on the various platforms, which are naturally subject to uncertainty as actual sales may differ from estimated sales.

The Group continuously receives sales estimates, and if impairment indicators are identified, own produced games rights are written down for impairment. The useful lives of in-house produced games rights for 2021 were in general at the expected level.

10 Property, plant and equipment

	Tools and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,705	358	2,063
Foreign exchange adjustments	(31)	(7)	(38)
Additions through business combinations	13	0	13
Additions	1,272	90	1,362
Cost at 31 December 2021	2,958	441	3,399
Depreciation and impairment losses at 1 January 2021	(857)	(106)	(963)
Foreign exchange adjustments	(57)	2	(55)
Depreciation	(622)	(105)	(728)
Depreciation and impairment losses at 31 December 2021	(1,536)	(209)	(1,745)
Carrying amount at 31 December 2021	1,422	232	1,654
Cost at 1 January 2020	839	200	1,039
Foreign exchange adjustments	32	8	40
Additions	834	150	984
Cost at 31 December 2020	1,705	358	2,063
Depreciation and impairment losses at 1 January 2020	(362)	(17)	(380)
Foreign exchange adjustments	(37)	(1)	(37)
Depreciation	(458)	(88)	(545)
Depreciation and impairment losses at 31 December 2020	(857)	(106)	(963)
Carrying amount at 31 December 2020	848	252	1,100

11 Lease assets	2021	2020
Carrying amount at 1 January	5,564	3,003
Foreign exchange adjustments	(77)	13
Additions	1,421	4,953
Depreciation	(2,806)	(2,406)
Carrying amount at 31 December	4,103	5,564

The lease assets consists mainly of property leases (rent of offices). The lease contracts are typically made for fixed periods of 2 to 5 years, but may have extension options included in the lease term. Lease terms are negotiated on an individual basis and contains different terms and conditions including payment terms, termination rights, index-regulations, maintenance etc.

Extension and termination options are typically found in leases in order to maximise operational flexibility in terms of managing contracts.

Financial lease liabilities recognised at 31 December	2021	2020
Current	2,127	2,669
Non-current	2,452	3,271
Total	4,579	5,940

Recognised in profit and loss:

Depreciation of lease assets	2,806	2,406
Interest expense on lease liabilities	203	305

Lease payments on lease agreements with short-term lease commitments and leases, which are considered as low value leases, amounts to EUR 0.1 million (2020: EUR 0.1 million).

12 Investments in associates	2021	2020
Cost at 1 January	54,858	28,940
Foreign exchange adjustments	(349)	1,085
Additions*	37,478	24,832
Disposals (transfer to consolidated subsidiary)	(1,163)	0
Cost at 31 December	90,825	54,858
Adjustments at 1 January	2,923	83
Foreign exchange adjustments	(36)	137
Share of profit/(loss) for the year	3,031	2,703
Dividends	(2,590)	0
Disposals (transfer to consolidated subsidiary)	(12)	0
Adjustments at 31 December	3,316	2,923
Carrying amount at 31 December	94,141	57,781

* Additions include non-cash contribution in kind relating to shares in Supermassive Games Ltd. from the parent company of EUR 16,075 thousand (2020: 22,156 thousand relating to Mercury Steam S.I.)

Main investments in 2021 are in Supermassive and additional shares in Star Stable.
Note 24 includes a list of the Group's investments in associates.

	Star Stable AB		Mercury Steam S.I.		Others	
	2021	2020	2021	2020*	2021	2020
Comprehensive income						
Revenue	34,310	35,673	12,510	11,863	28,896	2,145
Net profit for the year	3,577	6,195	4,541	3,726	6,538	527
Other comprehensive income	0	0	0	0	0	0
Dividend received	1,501	0	800	0	289	0
Balance sheet						
Non-current assets	2,751	199	14,707	8,643	17,375	1,157
Current assets	10,689	14,178	9,486	10,001	18,687	1,532
Non-current liabilities	0	0	9,944	11,271	2,053	119
Current liabilities	4,628	3,090	300	82	7,920	420
Equity	8,812	11,288	13,949	7,290	26,089	1,622
Nordisk Games Group's share of equity	4,991	4,695	5,580	2,916	8,015	924
Goodwill and other PPA-values	49,748	30,007	17,505	19,240	8,302	0
Investments in associates	54,739	34,701	23,085	22,156	16,317	924

Flashbulb ApS is included in 'others' in the 2020-figures, but is reclassified to fully owned subsidiaries consolidated line-by-line from the acquisition date on 25 November 2021, thus is not included in the presented 2021-figures.

The 'Others' category includes Supermassive Games Ltd. acquired in 2021 and Multiverse ApS where Supermassive Games Ltd. account for the full carrying value as Multiverse ApS is recognized at a carrying value of 0 due to the company having negative equity.

13	Cash and cash equivalents	2021	2020
	Cash and bank account deposits	515	54

No cash or cash equivalents are restricted. The Group's cash pool balance is included in Receivables from Group companies.

14	Equity		
	Capital management		

Management continually assesses the need to adjust the capital structure. It is the Group's policy to use cash flows from operating activities to invest in developing the Group's revenue and earnings and to invest in additional companies.

The equity share of total assets amounted to 23.5% at the end of 2021 (2020: 11.1%).

Share capital

The share capital comprise 743,930 shares of DKK 100 (EUR 14) each.

Change in the share capital since the establishment of the group can be specified as follows:

	2021	2020	2019	2018	2017
Opening balance	5,818	54	54	54	54
Capital increase (contribution in kind)	4,182	5,764	0	0	0
Ending balance	10,000	5,818	54	54	54

As described in Note 1 - Accounting policies, the contribution in kind comprise of Mercury Steam Entertainment S.L. (in 2020) and Supermassive Games Ltd. (in 2021), whereas the other acquired companies have been purchased and financed through loans from the parent company, Egmont International Holding A/S.

15	Hedging instruments	2021	2020
	Value adjustments for the year	(783)	204
	Value adjustments transferred to financial expenses	17	0
	Taxes on fair value adjustments	158	-42
	Total	(608)	162

16	Deferred tax	2021	2020
	Deferred tax at 1 January	3,455	3,986
	Adjustments relating to previous years	(94)	0
	Foreign exchange adjustments	(128)	0
	Additions through business combinations	1,066	0
	Deferred tax for the year recognised in the income statement	(1,050)	(531)
	Deferred tax at 31 December	3,248	3,455

Deferred tax has been recognised in the balance sheet as follows:

Deferred tax, asset	0	0
Deferred tax, liability	3,248	3,455
Deferred tax, net	3,248	3,455

Deferred tax assets are recognised for all unutilised tax losses to the extent it is considered probable that taxable profits will be realised in the foreseeable future against which the losses can be offset. The amount to be recognised in respect of deferred tax assets is based on an estimate of the probable time of realising future taxable profits and the amount of such profits.

The Group has assessed that deferred tax assets totalling EUR 58 thousand, primarily attributable to tax losses in Denmark can be realised in the foreseeable future. This is based on the forecasted earnings in which tax assets can be utilised.

<i>The deferred tax relates to</i>	2021	2020
Intangible assets	3,306	3,455
Property, plant and equipment	(5)	0
Tax losses allowed for carryforward, etc.	(53)	0
Total	3,248	3,455

17 Fees to auditors

With reference to section 96.3 of the Danish Financial Statement's Act, fees paid to the statutory auditors of the Group are not disclosed, but references are made to Egmont Fondens annual report for 2021, in which the fees for Nordisk Games A/S Group are included.

18 Contingent liabilities and collateral

The parent company and Danish subsidiaries are jointly taxed with other Danish companies in the Egmont International Holding group. The Group's Danish entities have joint and several unlimited liability for Danish corporation taxes.

Contractual obligations relating to short-term leases and low-value leases amount to EUR 0.1 million (2020: EUR 0.1 million). In addition, the Group has entered into lease agreements, which commences beginning of 2022, which amount to EUR 4.5 million and runs from 2022-2027.

The Group has issued bank guarantees towards landlords regarding leased premises amounting to EUR 0.3 million (2020: EUR 0.3 million).

19 **Financial risks and financial instruments**

As a result of its operations, investments and financing, the Group is exposed to certain financial risks, primarily related to foreign exchange and interests.

Nordisk Games Group is a part of centralised Corporate Finance department in Egmont, which is responsible for centralised management of liquidity and financial risks in the Group's wholly owned entities. Corporate Finance operates as counterparty to the Group's entities, thus undertaking centralised management of liquidity and financial risks. Liquidity and financial risks arising in associated companies are reported to Corporate Finance and thus managed on a decentralised basis. Management monitors the Group's financial risk concentration and financial resources on an ongoing basis.

The overall framework for financial risk management is laid down in the Egmont Group's Treasury Policy, which is approved annually by the Board of Trustees. The Treasury Policy comprises the Group's currency and interest rate policy, financing policy and policy regarding credit risks in relation to financial counterparties and includes a description of approved financial instruments and risk framework. The overall framework is assessed on an ongoing basis.

The Group's policy is to refrain from engaging in speculative transactions. Thus, the Group's financial management focuses exclusively on managing financial risks that are a consequence of the Group's operations, investments and financing.

Currency risks

The Group is exposed to exchange rate fluctuations as a result of the individual consolidated enterprises entering into purchase and sales transactions and having receivables and payables denominated in currencies other than their functional currency. Forward exchange contracts are used to ensure that the actual exposure does not exceed the currency exposure limit of the Group.

The Group is using forward contracts to hedge currency risks related to future milestone payments from work-for-hire projects. The cumulative value adjustments after tax recognised in other comprehensive income amount to EUR -0.6 million (2020: EUR 0), which will be recognised in the income statement during 2022 and 2023.

As at 31 December 2021, a drop of 5% in the USD/SEK exchange rate would affect total comprehensive income positively with EUR 0.6 million (2020: EUR 0.3 million). The sensitivity analysis is based on financial derivatives instruments recognised at 31 December.

Translation risks

The Group's primary currency risk exposure is denominated in SEK and relates to the Group's investments in wholly-owned entities and associated companies. As a main rule, these currency risks are not hedged, as ongoing hedging of such long-term investments is not considered to be the best strategy based on overall risk and cost considerations. Due to decrease in exchange rate, the equity in 2021 is affected negatively by EUR 2.2 million (2020: positively by EUR 4.2 million) however offset by the effect of pooling of interest method.

A 5% drop in the exchange rates of SEK would have impacted the 2021 profits by about EUR -0.8 million (2020: EUR -0.5 million), and the equity at 31 December 2021 by about EUR -5.7 million, however would have been offset by the effect of pooling of interest method (2020: EUR -5.9 million). A positive change in foreign exchange rates would have a reverse impact on profits and equity at end-2021 and end-2020 all other things being equal.

19 Financial risks and financial instruments (continued)

Interest rate risks

As a result of its investment and financing activities, the Group has an exposure related to fluctuations in interest rate levels.

The Group mainly have group loans to the parent company with a CIBOR floating rate plus fixed interest margin for the loan period, hence the interest rate risk is considered low.

Liquidity risks

The Games Group's liquidity reserve comprises cash and cash equivalents and unutilised credit facilities. To ensure optimum utilisation of cash and cash equivalents, the Group is a part of the Egmont Group cash pool. The Group has net interest-bearing debt of EUR 151.6 million (2020: EUR 101.5 million).

The Group's financing consists primarily of group internal loans and credit facilities with the parent company, Egmont International Holding A/S. The credit facility with the parent company amounts to EUR 180 million of which EUR 67.2 million was drawn at 31 December 2021. The loan matures on 1 April 2023, however is subject to extension options. The short-term part of the loans to group companies amounting to EUR 108 million concerns the payment of the shares in Avalanche towards the sister company Egmont Holding AB beginning of 2022, but was financed by utilizing the credit facility after which EUR 175.2 million was drawn.

The Group's financial liabilities fall due as shown below. The debt repayment schedule is based on undiscounted cash flows incl. estimated interest payments based on current market conditions:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Lease liabilities	4,579	5,122	2,276	2,846	0
Trade payables	1,844	1,844	1,844	0	0
Loans from Group companies	175,684	177,329	108,447	68,882	0
Non-derivative financial instruments	182,107	184,295	112,567	71,728	0
Derivative financial instruments**	0	0	0		
31 December 2021	182,107	184,295	112,567	71,728	0
Lease liabilities	5,940	6,100	2,830	3,270	0
Trade payables	2,392	2,392	2,392	0	0
Loans from Group companies*	152,863	152,863	0	152,863	0
Non-derivative financial instruments	161,195	161,355	5,222	156,134	0
Derivative financial instruments**	0	0	0		
31 December 2020	161,195	161,355	5,222	156,134	0

* Loans from group companies at 31 December 2020 equals contractual cash flow as the loan was legally entered into in December 2021, but due to the application of the pooling-of-interest method, the loan relating to the business transfers under common control appears also in previous years.

** Hedging instruments comprise a positive fair value at the balance sheet date, thus is included in other current assets. Please see categories of financial instruments below.

The total cash outflow for lease assets amounted to EUR 2,985 thousand (2020: EUR 2,457 thousand) of which repayment of lease liabilities amounted to EUR 2,782 thousand (2020: 2,169 thousand) and EUR 203 thousand were payment of interests (2020: EUR 288 thousand).

19 Financial risks and financial instruments (continued)

Changes in liabilities arising from financing activities	Non-current borrowings	Non-current lease liabilities	Current borrowings	Current lease liabilities	Total liabilities from financing activities
1 January 2021	152,857	3,271	6	2,669	158,804
Effect of pooling-method	(12,016)	0	0	0	(12,016)
Cash flows, net	32,688	0	0	(2,782)	29,906
Reclassification	(108,441)	(819)	108,441	819	0
Other *	0	0	0	1,421	1,421
Foreign exchange adjustments	2,148	0	0	0	2,148
31 December 2021	67,238	2,452	108,446	2,127	180,263
1 January 2020	138,928	1,695	0	1,461	142,084
Effect of pooling-method	10,471	0	0	0	10,471
Cash flows, net	3,465	(2,169)	6	0	1,302
Reclassification	0	3,745	0	(3,745)	0
Other *	(7)	0	0	4,953	4,953
31 December 2020	152,857	3,271	6	2,669	158,804

* Other includes additions and remeasurement of lease liabilities.

Credit risks

The Group's credit risks relate primarily to trade receivables, receivables from Group companies and cash and cash equivalents. The Group is not exposed to any significant risks associated with a particular customer or business partner. According to the Group's policy for accepting credit risk, all major customers are regularly credit rated.

Trade receivables:

Lifetime expected loss allowance for group trade receivables is calculated on basis on a simplified approach. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The expected loss rates are based on historical credit losses experienced in the last 3 years (2018-2020). The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables on basis of development in corporate insolvencies in the geographical areas.

As no historical losses have been incurred and there is no expectation of any changes in the risk exposure going forward, no expected credit loss have been recognized at 31 December 2021 (2020: 0).

19 Financial risks and financial instruments (continued)

Breakdown of the ageing on trade receivables is shown below:

Trade receivables	2021	2020
Not past due	20,123	6,141
Past due - up to 30 days	9	0
Past due - between 30 and 90 days	163	0
Total	20,295	6,141

Categories of financial instruments

Financial assets used as hedging instruments	14	66
Financial assets measured at amortised cost	54,814	43,359
Financial liabilities measured at amortised cost	182,107	161,196

The carrying amount of receivables and other financial liabilities (current) is equal to the fair value.

Group internal loans are floating-rate cash loans on arms length basis with short ordinary maturity, and thus the fair value is equal to the carrying amount.

Derivative financial instruments are valued at fair value on the basis of inputs other than listed prices that are observable for the liability, either directly or indirectly (level 2).

20 **Related parties**

Nordisk Games A/S' related parties comprise the following:

Parties exercising control

Egmont International Holding A/S, which is the sole owner of and controls the Company.

Egmont Fonden, which is the ultimate parent, in which Nordisk Games is included in the consolidated financial statements.

Other related parties

The member of the Executive Board and the Board of Directors

Transactions with related parties

Related party transactions in 2021 comprise of non-cash capital increase in connection with the associated company Supermassive Games Ltd. being contributed in kind to Nordisk Games A/S by Egmont International Holding A/S. This resulted in a capital increase of a total of EUR 16.1 million. A similar non-cash capital increase was done in 2020, due to the application of the pooling of interest method, as described in Note 1 - accounting policies, where the associated company Mercury Steam Entertainment S.l. was contributed in kind increasing the equity in the Group with EUR 22.2 million.

Furthermore, as described in note 1 - accounting policies - the other group entities and associated companies were acquired by Nordisk Games A/S on 22 December 2021 in connection with the establishment of the Nordisk Games Group from the respective Egmont entities, which previously owned the Games companies.

The acquisitions of shares in the Games companies was financed through intercompany loans from Egmont International Holding A/S, which carries interests on an arms-length basis.

Trading with group enterprises	2021	2020*
Acquisition of services (facility costs and management fees)	2,448	1,589
Interests on group loans	36	0

Capital transactions and balances with group enterprises at 31 December

Loans from group enterprises	175,684	152,863
Receivables from group enterprises	28,592	27,637

* As the group internal re-structuring was executed in 2021, there were no related party transactions relating to games lab in the parent company in 2020. Furthermore, the intercompany loan was legally entered into in December 2021, but due to the application of the pooling-of-interest method, the loan relating to the business transfers under common control appears also in previous years, however with no carried interests.

Related parties where the Group has significant influence also comprise associates; see note 12.

Transactions with associates are very limited and comprise of revenue of EUR 24 thousand (2020: 0).

21 **Standards and interpretations not yet adopted**

IASB has issued a number of amended standards which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2021. The adoption of the standards are not expected to impact the financial statements of Nordisk Games A/S materially.

22 Subsequent events

Please refer to note 23, where it is stated that Nordisk Games AVS has acquired 50.4% of the shares in Nitro Games Oyj on 17 May 2022.

Apart from this, no events have occurred after the reporting period, which impacts the Group's financial position.

23 Acquisition and divestment of businesses

Acquisitions in 2021

In 2021, the Group acquired the remaining 57.03% of the shares in Flashbulb ApS and now holds 100% of the shares.

The acquisition has impacted revenue for the Group in 2021 with EUR 2.8 million. EBIT for 2021 was impacted with EUR -1.1 million, excluding the impact deriving from re-valuation of existing shares in connection with the step-acquisitions (step-up-gain) of EUR 6.6 million presented as other operating income. If Flashbulb had been acquired on 1 January 2021, revenue for 2021 would have amounted to EUR 6.3 million and EBIT would have amounted to EUR -0.8 million, including a full year amortization of trademarks.

Fair value at acquisition date	Flashbulb ApS
Intangible assets	5,298
Property, plant and equipment	13
Other non-current assets	27
Current assets	1,856
Other current liabilities	(2,341)
Identifiable net assets	4,853
Goodwill	15,711
Purchase consideration	20,564
Cash and cash equivalents, acquired	(1,425)
Fair value of existing share of net assets in connection with step-acquisitions	(7,732)
Total cash consideration paid	11,407

Flashbulb ApS, Denmark

The Group acquired the remaining 57.03% of the shares (and now holds 100% of the shares) in Flashbulb ApS, a Danish Games studio, with headquarters in Copenhagen. The entity develops video games and has previously developed the game Trailmakers while the game Rubber Bandits was launched shortly after the acquisition. The shares were acquired from the founders on 25 November 2021.

The net cash purchase price was EUR 11.4 million. Goodwill is mainly related to the workforce and the knowhow within the company related to the management as well as the skills of the general workforce (the knowhow of creating new big successful games going forward). The Trailmakers universe brand/trademark as well as a Game Pass contract for Rubber Bandits were recognised as intangible assets.

In addition to acquisitions in subsidiaries, the Group invested further in associated companies, cf. Note 14.

No external transaction costs were incurred in connection with the acquisition, as the due diligence process was handled inhouse.

23 Acquisition and divestment of businesses (continued)

Acquisitions after the balance sheet date

At 17 May 2022, Nordisk Games A/S acquired 50.4% of the shares and voting rights in the Finnish mobile game development company, Nitro Games Oyj. The cost price amounted to EUR 8.5 million. The investment adds to the Nordisk Games Group portfolio, which now comprise of 3 subsidiaries. The purchase price allocation have not been finalized due to the acquisition being finalized close to the date where the financial statements are authorised for issue.

Nitro Games Oyj generated revenue of EUR 2.6 million and a loss of EUR 2.9 million in 2021.

Acquisitions in 2020

No acquisitions were made in 2020 except from investment in associated companies, cf. Note 12.

24 Group entities

SUBSIDIARIES

Country	Entity	Registered office	Ownership share	
			2021	2020
Denmark	Flashbulb ApS	Copenhagen	100%	42.97%
Sweden	Fatalist Partners AB	Stockholm	100%	100%

ASSOCIATES

Country	Entity	Registered office	Ownership share	
			2021	2020
Denmark	Multiverse ApS	Copenhagen	19.95%	19.95%
Spain	Mercury Steam Entertainment S.L.	Madrid	40%	40%
Sweden	Star Stable Entertainment AB	Stockholm	56.64%	44.09%
United Kingdom	Supermassive Games Ltd.	Hampshire	30.72%	-

Statement by the Board of Trustees and Management Board

The Board of Directors and Management Board have today discussed and approved the annual report of Nordisk Games A/S for the financial year 1 January – 31 December 2021.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU and additional requirements according to the Danish Financial Statements Act, and the parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company's financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2021, and of the results of the

Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2021.

Furthermore, in our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's activities and financial matters, the net profit for the year and the Group's and the parent company's financial position.

Copenhagen, 7 July 2022

MANAGEMENT BOARD:

Mikkel Weider
CEO

BOARD OF DIRECTORS:

Allan Mathson Hansen
Chairman

Thomas Rehling

Helle Bjørnskov Fischer

Independent Auditor's Report

TO THE SHAREHOLDERS OF NORDISK GAMES A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of Nordisk Games A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group and the parent company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated 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, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the parent company at 31 December 2021 and of the results of the parent company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Foundation's financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of the parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements 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 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 the financial statements.

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

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

company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.

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

Copenhagen, 7 July 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne21332

Jens Thordahl Nøhr
State Authorised
Public Accountant
mne32212

Income Statement of the Parent Company

(EURk)

Note	2021	2020
Revenue	445	0
2 Personnel expenses	(2,432)	0
Other external expenses	(1,275)	0
Depreciation of property, plant and equipment	(13)	0
<i>Operating profit</i>	<i>(3,275)</i>	<i>0</i>
<i>Dividends from investments in subsidiaries and participating interests</i>	<i>2,590</i>	<i>0</i>
Financial income	292	0
Financial expenses	(809)	0
<i>Profit before tax</i>	<i>(1,202)</i>	<i>0</i>
4 Tax on profit for the year	706	0
<i>Net profit for the year</i>	<i>(496)</i>	<i>0</i>

Statement of Financial Position of the Parent Company at 31 december

(EURk)

Note	Assets	2021	2020
	Tools and equipment	18	31
	Property, plant and equipment	18	31
5	Investments in subsidiaries	120,771	109,406
6	Investments in participating interests	93,700	57,781
	Financial assets	214,471	167,187
	Total non-current assets	214,489	167,218
	Receivables from group enterprises	408	0
	Deferred tax assets	53	0
	Income tax receivable	654	0
	Other receivables	1	65
	Receivables	1,116	65
	Cash and cash equivalents	0	54
	Total current assets	1,116	119
	TOTAL ASSETS	215,605	167,337

Statement of Financial Position of the Parent Company at 31 december

(EURk) (continued)

Note	Equity and liabilities	2021	2020
	Share capital	10,000	5,818
	Retained earnings	27,789	16,392
	Total equity	37,789	22,210
	Loans from group companies	67,237	143,714
	Non-current liabilities	67,237	143,714
	Loans from group companies	108,317	0
	Trade payables	195	69
	Deferred income	140	0
	Other payables	1,927	1,344
	Current liabilities	110,579	1,413
	Total liabilities	177,816	145,127
	TOTAL EQUITY AND LIABILITIES	215,605	167,337

- 1 Accounting policies
- 7 Appropriation of profit
- 8 Related parties

Statement of Changes in Equity of the Parent Company at 31 december (EURk)

Note	Share capital	Retained earnings	Total equity
Equity at 1 January 2021	5,818	16,392	22,210
Capital increase by contribution in kind	4,182	11,893	16,075
6 Transferred, cf. Appropriation of profit	0	(496)	(496)
Equity at 31 December 2021	10,000	27,789	37,789
Equity at 1 January 2020	54	0	54
Capital increase by contribution in kind	5,764	16,392	22,156
6 Transferred, cf. Appropriation of profit	0	0	0
Equity at 31 December 2020	5,818	16,392	22,210

Notes

(EURk)

1 Accounting policies

The financial statements of Nordisk Games A/S have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class C enterprises (large).

Nordisk Games A/S was established in 2021 through an internal re-structuring of the games companies within the Egmont Group. The shares in the associated companies *Supermassive Games Ltd.* and *Mercury Steam Entertainment S.I.* were contributed in kind to increase the share capital in Nordisk Games A/S, and in addition the shares in the wholly owned subsidiary, *Fatalist Partners* (including the underlying investments in the *Avalanche Group*) and the shares in the associated companies *Star Stable AB*, *Flashbulb ApS* and *Multiverse ApS* were acquired internally from the respective Egmont Companies. As the business transfer is a common control transaction, the pooling of interest method has been applied as the accounting method for the business combination. Consequently, the annual report for 2021 contain comparative figures for 2020 as if the Company had always existed. The cost price of the transferred shares in subsidiaries and associated companies were based on the carrying values at 1 January 2021 (deemed cost), however acquired on 22 December 2021 at the foreign exchange rate at that date, resulting in an foreign exchange rate impact of EUR 2.391.

No cash flow statement has been included for the parent company, as reference is made to the consolidated cash flow statement.

Fees to auditors is disclosed in the consolidated financial statements of Egmont Fonden.

The accounting policies of the parent company deviate from the Group's accounting policies in the following areas:

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost is lower than the recoverable amount, write-downs are made to this lower value.

Dividends

Dividends from investments in subsidiaries are recognised in the profit and loss statement in the financial year in which the dividend is declared, typically at the time when the general meeting approves the distribution of dividend by the relevant company.

Dividends exceeding the accumulated income from the subsidiaries in the ownership period are deducted in the cost price.

2 Personnel expenses	2021	2020
Wages and salaries	2,330	0
Pensions	90	0
Other social security costs	12	0
Total	2,432	0

Average number of full time employees 10 0

Remuneration of the Executive Board for 2021 and 2020 is not disclosed in accordance with Danish Financial Statement's Act 98B, section 3.2.

The Board of Directors does not receive remuneration for tasks related to their roles in the Company and no allocation from group companies has been made.

Besides remuneration, no other transactions have been carried out with the Executive Board and the Board of Directors for 2021 and 2020.

3 Financial expenses	2021	2020
Foreign exchange loss	765	0
Interest expense on group loans	36	0
Other financial expenses	7	0
Total	808	0

4 Tax on profit for the year		
Current tax	653	0
Deferred tax	53	0
Total	706	0

5 Investments in subsidiaries		
Cost at 1 January	109,406	109,406
Foreign exchange adjustments (impact from pooling)*	(2,391)	0
Additions	12,832	0
Transfer from associated companies	924	0
Cost at 31 December	120,771	109,406

* The foreign exchange adjustments are due to the shares in subsidiaries being acquired at their carrying values at 1 January 2021, but at the foreign exchange rate on the date of the actual transfer on 22 December 2021.

For a list of subsidiaries please see note 24 in the consolidated financial statement.

6 Investment in participating interests	2021	2020
Cost at 1 January	57,781	32,949
Foreign exchange adjustments (impact from pooling of interests method)	(635)	0
Additions	37,478	24,832
Disposals	(924)	0
Cost at 31 December	93,700	57,781

Please refer to note 24 to the consolidated financial statements which includes a list of the investments in participating interests (associates).

7 Appropriation of profit	2021	2020
Result for the year transferred to retained earnings	(496)	0
Balance at 31 December	(496)	0

8 Related parties

Nordisk Games A/S' related parties comprise the following:

Parties exercising control

Egmont International Holding A/S, which is the sole owner of and controls the Company.

Egmont Fonden, which is the ultimate parent, in which Nordisk Games is included in the consolidated financial statements.

Other related parties

The member of the Executive Board and the Board of Directors.

Trading with group enterprises	2021	2020
Revenue from Games Lab services from group enterprises	445	0
Acquisition of services (facility costs)	76	0
Interests on group loans	36	0

Capital transactions and balances with subsidiaries at 31 December

Loans from group enterprises	175,556	143,714
Receivables from group enterprises	408	0



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