EG A/S
Industrivej Syd 13 C
7400 Herning

Company reg. (CVR) no. 84 66 78 11

This Annual Report was presented
and approved by the shareholders at
the Company's Annual General Meeting
held on 15 May 2020.

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Henrik Hansen

Let's go further

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EG is a leading software company in Scandinavia, owned by the private equity fund Francisco Partners. EG was founded in Herning in 1977, and more than 9,500 customers are currently being served by some 1,200 employees from 22 locations in Denmark, Norway, Sweden and Poland. We develop and sell subscription-based and industry-specific cloud solutions in the form of Software as a Service (SaaS) to private companies, regional and local authorities.

Our focus on a number of carefully selected industries provides us with in-depth knowledge of our customers' work processes and special conditions. This lowers the risk involved in our customers' projects and results in industry-specific solutions of high quality and relevance to the individual customer.

DKK million	2015	2016	2017	2018	2019
Income statement					
Revenue	1,839.8	2,043.0	1,052.4	1,220.6	1,360.3
EBITDA before special items	207.2	257.8	2.4	305.8	356.4
Special items	0.0	0.0	0.0	40.9	69.7
EBITDA	207.2	257.8	2.4	264.9	286.7
Depreciation	52.0	67.1	68.1	34.5	54.9
Amortisation	56.9	364.0	132.9	173.9	210.3
EBIT before special items	98.3	-173.3	-198.6	97.3	91.1
EBIT	98.3	-173.3	-198.6	56.4	21.4
Net financials	-39.7	-48.1	-63.5	-77.3	-33.9
Tax on profit/loss for the year	12.2	11.3	-48.4	4.4	-3.8
Discontinued operations	0.0	0.0	0.0	-115.6	-43.7
Profit/loss for the year	46.4	-232.7	-213.6	-140.8	-52.5

Note: 2017-2019 are based on continuing operations. Comparative figures for 2015-2016 have not been restated.

DKK million	2015	2016	2017	2018	2019
Balance sheet					
Total assets	2,245.1	1,982.1	2,054.7	1,967.7	2,172.4
Share capital	71.0	71.0	71.0	71.0	71.0
Equity	744.3	512.1	260.8	113.1	247.3
Net working capital	260.3	223.8	173.1	55.1	160.7
Net interest-bearing debt	-90.8	-2.8	-61.6	412.6	204.2
Cash flow					
Cash flow from operating activities	107.3	142.0	96.2	120.3	178.8
Cash flow from investing activities	-73.4	-175.2	-337.4	-54.4	-570.8
Cash flow from financing activities	44.9	-54.8	340.1	-80.4	278.9
Cash flow for the year	78.9	-88.0	58.8	-14.5	-113.1
Investments					
Property, plant and equipment	11.4	26.5	14.6	7.5	7.6
Group financial ratios					
Revenue change	12.4%	11.0%	-48.5%	16.0%	11.5%
EBITDA before special items as a percentage of revenue	-	-	-	25.1%	26.2%
EBITDA as a percentage of revenue	11.3%	12.6%	0.2%	21.7%	21.1%
Return on equity (ROE)	8.9%	-31.3%	-41.7%	-9.7%	-46.5%
Equity ratio	33.2%	25.8%	12.7%	5.7%	11.4%
Number of employees	1,599	1,856	1,062	1,027	1,206

Note: The years 2018-2019 exclude discontinued activities. The comparitive figures are not adjusted.

In 2019, we refocused on own vertical software as we divested our service business to DXC, got the right new owner on board and acquired three software companies. The singular focus on own software solutions has strengthened and prepared EG for growth. EG's employees delivered well above expectations in 2019 and we now have a great foundation for 2020 and beyond.

Divesting EG Service

In mid February 2019 we completed the asset sale of EG's service business to DXC. The EG service business focuses on consultancy related to software developed by other companies, e.g. Microsoft, IBM and Infor. The carve-out of the business has gone according to plan and the transitional services provided by EG to DXC were gradually reduced as and when DXC took over the activity themselves. The divesture has consequently been a success and it has allowed for a renewed focus on EG's own software.

Francisco Partners acquired EG

Francisco Partners acquired EG from the previous owner Axcel in early April with final closing on 1 June. Francisco Partners is an American private equity company focusing on investments in technology companies. The new owners have brought strong expertise that support EG's development as a software company and have added significant momentum to our acquisition strategy.

Strategy

EG's vision is to enable our customers to become industry leaders. We want to provide the best solution in each of the markets we are active in and we want our customers to become the leaders within their industries. We do this by investing in our solutions, by strengthening our software capabilities and by acquiring companies that complement our offerings.

With our new owners on board we have been able to complete three acquisitions in 2019 altogether adding more than DKK 255 million and 21% revenue growth to EG on a full year basis. All of these acquisitions have strengthened EG's offerings in our existing vertical markets.

In June 2019 we acquired Lindbak Retail Systems which is a leading supplier of retail solutions in both Norway and Sweden. We have integrated our existing Fackta solution into Lindbak Retail Systems creating a new division in EG called EG Retail. This division is managed by the previous CEO of Lindbak Retail System, Erik Tomren, who is now part of the corporate management team in EG.

We also strengthened our presence within the utility sector with the acquisition of the Danish software company Sonlinc in September 2019. The Sonlinc acquisition doubled our turnover in the Danish utility market and makes EG the leader within billings solutions for the utility markets in Denmark and Sweden. Sonlinc is now an integrated part of the EG Utility business unit which also includes our Zynergy and Xellent businesses. We have approx. 130 employees deeply competent in the specifics of the utility market. The EG Utility business unit now has the size and the broad product range required to meet the increasing need for easy-to-use and scalable customer experience and billing modules within the utility market.

We also see a potential for digitilization within the complex processes and vast amounts of data within the construction sector across Scandinavia. We have consequently complemented our existing focus on this market with two acquisitions which ensure that we have the best solution in both Denmark and Norway. In October 2019 we acquired the Danish software company Calwin, which has a strong presence within the installation market with a large customer base and a group of highly skilled employees. The two founders of Calwin, Carsten Rasmussen and Kenneth Dreymann remain part of EG with Carsten taking the lead for all of EG's construction business in Denmark.

The four acquisitions we have completed since June 2019 are good examples of how we strengthen our market positions with acquisitions and how we allow the acquired companies' executives lead the way going forward. Our openness to learning from the acquired companies and our model of providing operational independence to our business units makes EG an attractive home for the companies we acquire. We see an increasing opportunity to acquire strong software companies both because we can strengthen our offerings to our customers but also because it makes sense for smaller software companies to join a larger group like EG at a time when customers require broader solutions and when the technological and regulatory complexity is increasing.

We have progressed to strengthen our software capabilities and our operating model in EG during 2019. Our capability development programme includes reorganization into larger business units, a next-generation agile initiative and the implementation of new processes and tools to support our main internal processes.

As a consequence, EG is now organized into fewer and larger business units with an increased scale within each business unit. This reorganization enables specialization into clearer roles.

We have launched a next-generation agile transformation where all development work will take place in an agile setup based on Devops tools and processes. This programme was kick started in mid-2019 and will continue throughout 2020. The objective is to increase the speed of our development and ensure that the right new solutions are delivered to our customers faster. This initiative is supported by a central software delivery center in Warsaw where a new location was established in mid 2019.

An initiative to strengthen internal tools and processes was started in the mid-2019 and will run in 2020 with a focus on upgrading ERP, CRM and support tools. We are making significant investments to ensure a strong enterprise architecture is put in place which is secure, compliant and effective.

In 2019 we also strengthened our focus on Corporate Social Responsibility. We reconfirmed our commitment to the ten principles within the UN Global Compact and we also made a commitment to becoming carbon neutral by 2030. We have launched a number of specific initiatives to achieve our CSR objectives. Going forward we will use only carbon neutral electricity generated from wind in Denmark. We have decided that all company cars need to be hybrid or fully electric cars going forward and we have donated to three UN Climate projects. We have also launched the EG Volunteer Programme where all EG employees can get paid time off for volunteer work. In addition, a number of other smaller initiatives are in motion which will have a real impact and ensure that social impact is an integrated part of our decision-making criteria. We are proud of the steps we are taking, and we are committed to pushing our CSR initiatives forward.

In conclusion, 2019 was a transformative year for EG where we refocused on our own vertical solutions, got the right new owner on board and started an ambitious growth strategy to make EG the leader within vertical software in Scandinavia.

The profit/loss for the year, balance sheet total and cash flows from total activities were primarily characterised by the following:

- Revenue growth of DKK 139.7 million is mainly driven by acquisitions.
- EBITDA improvement before special items, continuing operations of DKK 50.6 million, driven by an increase in revenue in combination with increased productivity.
- Acquisition of Lindbak Retail Systems and establishment of the new EG Retail division.
- Investment in EG Silkeborg Data's new payroll and roster planning system in relation to the implementation of the new platform at customers was continued in 2019.
- Divestment of the service business as of 28 February 2019 and subsequent carve out.
- Change of ownership and refocusing the company on own vertical solutions

EG is continuously working to simplify the group structure to create synergies and improve efficiency within the administrative functions. EG A/S was in 2019 merged with the fully owned subsidiaries EG Notaplan ApS and L5 Public Payroll Software ApS. Furthermore, the subsidiaries EG Kommuneinformation A/S and EG Team Online A/S was merged in 2019. In connection with the merger the continuing company was named Digital Welfare ApS.

The comments made below are based on the continuing operations.

Revenue

Consolidated revenue amounted to DKK 1,360.3 million (DKK 1,220.6 million in 2018), corresponding to an increase of 11.5% which primarily was driven by acquisitions.

The EG Software Private division recorded a revenue of DKK 543.6 million against DKK 565.8 million in 2018, corresponding to a decrease of 3.9%. The development was primarly driven by a decrease in sales of a solution targeting the auto sector.

The EG Software Public division recorded a revenue of DKK 570.4 million against DKK 530.1 million in 2018, corresponding to an increase of 7.6%.

The EG Retail division recorded revenue of DKK 105.4 million against DKK 19.9 million in 2018.

Other revenue amounted to DKK 140.9 million, up from DKK 104.8 million in 2018.

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Let's go further

For 2020, management expects an increase in revenue for the Group of 10-15% including acquisitions. However, due to COVID-19 the outlook for 2020 is uncertain with regards to the revenue development.

As 2019 turned out as expected and since we are progressing with our transformation activities according to plan, management expects underlying activities to constitute a solid foundation for improved financial results in 2020.

As in previous years, focus will be on ensuring that sufficient cash resources are maintained. This will be supported by the current results of operating activities and continued disciplined cost and working capital management.
Management has estimated the cash flow development for 2020 and considers the current cash resources to be appropriate.

EG's management monitors the COVID-19 development closely and is prepared to implement the relevant measures possible to limit effects on revenues and earnings.

As it is not possible to foresee the duration of the pandemic and to which extent governments must continue taking measures it is still to early to estimate the size of the effects for 2020.

EG's management has performed scenario testing and evaluated the COVID-19 impact on the EG financials in three different scenarios.

It is not possible to determine which of the test scenarios that

- Remuneration committee Petri Oksanen and Paul Ilse.
- Mergers & Acquisition Committee: Petri Oksanen and Quentin Lathuille

Board of Directors

The Board of Directors consists of nine members in total. Four of the representatives have been appointed by the principal shareholder, two of the representatives are independent, and three of the representatives have been elected by the employees of the Company.

The Company's owners, Francisco Partners, are represented on the Board of Directors by Petri Oksanen (Partner), Deep Shah (Co-President), Quentin Lathuille (Vice President) and Paul Ilse, (Operating Partner).

The Board of Directors holds four to six board meetings each year. The Board of Directors lays down the Company's strategy and acts as a proactive sounding board for the Company's management team.

Audit and risk committee

The audit and risk committee meet
four to five times a year. The committee is responsible for overseeing the Company's financial reporting and internal control environment and for determining the relationship with and the framework for the external auditors.
The committee operates with fixed procedures for e.g. updating financial reporting standards and reviewing items containing significant accounting estimates and items of a non-recurring nature.

The Company has a function which regularly oversees compliance with the Company's financial reporting guidelines and policies. This function reports continuously to the audit and risk committee.

Remuneration committee

The remuneration committee is responsible for determining and approving management's remuneration.

The Mergers & Acquisition Committee is responsible for supervising the Company's M&A strategy, evaluating and approving the business cases of potential acquisitions.

Gender composition of management

According to section 99b of the Danish Financial Statements Act, management is required to account for the gender composition of management.

We aim to promote diversity, including to achieve a reasonable representation of women on the Board of Directors as well as among our senior managers, based on a desire to strengthen EG's versatility, gather competencies and create better decision-making processes.

Francisco Patners has appointed new members to the board and status is that there are no female board members.

Corporate Management has been strenghtened with a VP for Merger & Acquisitions and a new EVP for the EG Retail division. This means Corporate Management has been extended from eight to ten members, eight men and two women.

We aim the share of women in corporate management and among our senior managers to be at least 30% by 2022.

EG will ensure full and effective participation and equal opportunities for leadership at all levels for men and women.

In order to reach that goal, we are looking into whether we can find a way to offer the underrepresented gender a leadership development program and enhance a recruitment process that strengthens diversity.

By 31.12.2019 women accounted for 38 % of the total number of employees - leaders excluded - of the EG Group, which was above last year's level.

Ownership

EG A/S is wholly owned by AX IV EG Holding III ApS and the ultimate parent company is Lancelot Holdco Ltd.

The Group is financed through a combination of equity and debt financing. Equity consists of one share class, all shares of which are held by AX IV EG Holding III ApS. The debt financing consists of bank loans and the debt is assessed to be adequate relative to the Group's financial flexibility requirements.

Let's go further

We strive to conduct our activities in a responsible manner and to comply with legislation in the countries and local communities in which we operate.

We have established a set of ethical guidelines describing our responsibility to the environment and the people who help to develop and deliver EG's solutions.

In 2019 we aligned our CSR-policy with the demands of section 99a of the Danish Financial Statements Act, the commitment to the Global Compact and the 17 UN Sustainable Development Goals.

In that process, we identified 25 actions that we will focus on in 2020 and implemented a systematic approach to following up on actions and progress on a quarterly basis.

The actions are described in more details in our report on UN Global Compact, Communication on Progress 2019.

EG supports and respects the protection of internationally proclaimed human rights, and we make sure that we are not complicit in the violation human rights.

EG is subject to extended corporate social responsibility to protect the personal data entrusted to us by our business partners, customers and employees.

As a consequence, EG continuously strives to maintain a high level of data and IT security based on the General Data Protection Regulation (GDPR) of the EU.

All employees have been made aware of EG's data and IT security policies and participate in an ongoing programme to improve employee security awareness and to ensure that we consistently process and protect our own data and customer data as securely as possible.

EG has assessed the most significant risks in relation to activities pertaining to the company's business relations, products and services.

EG sees no significant risk that the company or its suppliers have violated UN Global Compact principles 1-2.

EG supports and respects the protection of internationally proclaimed labour rights, and we make sure that we are not complicit in violations of labour rights.

EG is therefore strongly focused on employee well-being and development. We recognise the importance of striking a healthy work-life balance.

We have established a health and safety organisation which, among other things, tracks developments in sickness-related absence and occupational injuries.

EG has an obligation to ensure a healthy and attractive working environment.

In 2019 EG has implemented a new tool for the quarterly monitoring of employee satisfaction and engagement, EG Pulse.

We also perform a mandatory workplace assessment (WPA) every three years, and our management team receives training in ethical conduct and sustainable workforce development.

During the year all employees are invited to one-on-one interviews with their immediate superior, and employee performance reviews (GROW) form the basis of the annual plan for the development of each individual employee at EG.

As part of our focus on the 17 UN Sustainable Development Goals, EG has launched a volunteer programme allowing all employees to spend one working day a year on voluntary work.

EG has assessed the most significant risks in relation to activities pertaining to the company's business relations, products and services.

EG sees no significant risk or indications that the company or its suppliers have violated the UN Global Compact principles 3-6.

EG supports a precautionary approach to environmental challenges and undertakes initiatives to promote greater environmental responsibility. Also, we encourage the development and diffusion of environmentally friendly technologies.

Consideration for the environment and climate forms an integral part of EG, and we expect the same of our suppliers.

As part of these efforts, EG became a member of the IT Industry Association's Committee for Sustainable Development in 2019, and we assess our activities relating to the UN's 17 Sustainable Development Goals on an ongoing basis.

We carry out all of our activities with the utmost care for the environment. In addition to statutory requirements, we seek to minimise the environmental impact of our activities, including through energy optimisation of our properties.

As part of our focus on the 17 UN Sustainable Development Goals EG has made a special commitment to becoming carbon neutral by 2030.

In February 2020 EG also signed an agreement with our energy provider, meaning that from now on we are running on 100 percent CO2-neutral, renewable energy from windmills in Denmark. To limit the impact on the environment, EG has changed its company car policy so all company cars in Scandinavia will be hybrid or electric going forward and made plans to install charging stations for electric cars at all sites in Denmark.

As a software company, EG does not use chemicals and natural resources, nor create waste on a large scale. Thus, we have mainly focused on our own and our suppliers' energy consumption.

EG has assessed the most significant risks in activities pertaining to the company's business relations, products and services.

EG sees no significant risk or indications that the company or its suppliers have violated UN Global Compact principles 7-9.

EG supports the work against corruption in all its forms, including extortion and bribery.

Corruption and bribery are recognized as barriers to sustainable development and free trade.

In 2019 the Scandinavian IT industry has experienced unfortunate cases related to bribery and corruption, so we have revised and re-implemented the Anti-Corruption and Bribery Policy as well as the Whistleblower Policy.

EG has assessed the most significant risks in relation to activities pertaining to the company's business relations, products and services.

EG sees no significant risk or signs or indications that the company or its suppliers have violated UN Global Compact principle 10.

Risk management and reporting

Our focus on selected markets and industries with in-depth knowledge of the work processes and special customer conditions provides us with good insight into the risk environment and enables us to mitigate risks.

Reference is made to the other sections of the management's review for an outline of EG's business model and risk assessment.

EG A/S has signed up to the UN Global Compact and each year prepares a progress report to account for our corporate social responsibility efforts. The progress report for 2019 constitutes EG A/S's statutory corporate social responsibility report required under section 99a of the Danish Financial Statements Act and covers the period from October 2018 to October 2019. Going forward the COP will be aligned with the calendar.

The report is posted on our website and the latest version can be found at: https://eg.dk/siteassets/media/files/about-eg/csr/eg-global-compact-2019.pdf

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A key factor to achieving the Group's objectives and strategy is the ongoing efforts to identify risk factors and mitigating action. Implementation of the adopted strategy, the ongoing activities and exploitation of business opportunities expose the Company to risks, and the Company's handling of such risks is therefore considered a natural and integral part of the day-to-day work and a way of ensuring stable and reliable growth.

The following sections do not provide an exhaustive description of all risks associated with the activities of the Group. The risk factors are divided into commercial and financial risks and are described in random order.

Risk management and internal control procedures

The Group's risk management and internal control procedures in connection with financial reporting were established to ensure that financial reporting gives a fair presentation without material misstatements and in accordance with current legislation, standards, other regulations and the company's standard processes.

The Group has defined a process in which the strength of major key controls is evaluated and reported to the audit committee, providing enhanced transparency and consistency in the internal control environment. In a few entities, not all key controls have been implemented as those entities have not yet adopted the Group's standard processes. Compensatory controls have been established or are in the process of being established to the extent possible.

Commercial risks

A prerequisite for continuing growth is ongoing development of new solutions that require appropriate professional skills. In the IT industry, competition with respect to attracting the right skills and a lack of qualified applicants represent a risk factor. In order to attract and retain employees, EG remains focused on employee well-being and satisfaction, which is supported by regular performance interviews and an annual employee survey. In order to overcome a shortage of resources, EG collaborates with Danish and international consultants.

A significant part of the business involves participating in tenders for major contracts, which requires extensive work involving calculations and estimates. Inadequate quality or incorrect pricing levels could have adverse consequences in the form of lost contracts or non-profitable contracts. EG uses project reviews and preliminary analyses to ensure that correct pricing is applied when entering into fixed-price contracts. The Group has established a PMO (project management office), which serves to improve project execution, provide a consistent governance structure and standardise project management policies, processes and methods across the Group.
The ability to provide quality solutions and adhere to delivery deadlines are key parameters for EG. EG has a large a share of public-sector customers, and given the general attention to public-sector IT solutions, non-compliance in terms of quality and deadlines is a special risk factor. A priority area for the PMO is project risk factors and how best to mitigate these risks for EG and for our customers. The risk factors are evaluated during the sales phase when the project is signed off for handover and in relation to milestones for monitoring project progress.

The Group’s single largest expense category is salaries. As almost all EG staff are salaried employees, reducing the bulk of the Group’s expenses is not possible in the near term. EG seeks to mitigate this uncertainty by transforming a greater share of the Group’s income to fixed contracts with commitment periods and notice of termination.

IT risk

The Group makes extensive use of IT tools and is vulnerable to business disruptions and security breaches. The Group constantly seeks to improve its IT security to ensure that a high level of security is maintained at all times.

The GDPR legislation represents a potential risk if EG fails to meet all of its requirements, which could lead to fines and have an adverse impact on our image. To mitigate this risk, we established a GDPR function and extensively informed and trained our employees over the course of the year.

Financial risk

Being owned indirectly by Camelot Holdco ApS, EG A/S is exposed to the same risks as Camelot Holdco ApS. A detailed description is provided in the financial statements of Camelot Holdco ApS.
The Group's financial risks are managed centrally by Group finance according to policies committed in writing and approved by the Board of Directors. The primary objectives for the Group's financial risk management are to ensure sufficient liquidity to uphold business operations and meet commitments stipulated in the funding and mitigate risks for any covenant or other breaches due to interest and exchange rate changes.

Interest rate risk

The Group has variable interest expenses and is financed with a floating CIBOR rate combined with a fixed margin depending on the credit facility. Interest expenses are settled in DKK and NOK.

Currency risk

The Group’s revenue is primarily denominated in DKK, but acquisitions in Norway and Sweden have resulted in growing exposure to NOK and SEK. The Group is exposed to currency risk at three levels.

The first level includes exchange rate fluctuations related to the translation of the results of foreign subsidiaries at the balance sheet date. The Company does not hedge this type of risk. Consequently, the Group may be affected by short-term fluctuations when translating the results of subsidiaries into DKK.

The next level includes risk associated with current cash flows. The Company does not hedge currency risks associated with cash flows.

Lastly, currency risk attaches to the translation of intra-group balances in foreign currency at the balance sheet date. This translation includes a value adjustment which is not hedged.

For additional information on financial risks, see the note to the annual report.

Insurance risk

The Group has taken out mandatory insurance policies and any insurance considered relevant. The insurance policies are reviewed regularly with an insurance broker to ensure adequate coverage on commercially favourable terms.

Investments and acquisitions

In accordance with its strategy, the Group regularly assesses potential acquisitions and new software investments. Major acquisitions and investments in software development involve a number of risks related to the investment process and the subsequent integration into the organisation. Such risks are assessed and hedged by applying in-house professional skills and external advisers.

Unforeseen risks such as natural disasters, pandemics and other force majeure events are difficult to cover as the nature of the risk varies. The Group can mitigate such risks once they occur and can quickly adapt to the new situation as employees from day to day can work from other locations.

Board of Directors

Petri Oksanen – Chairman

- Partner of Francisco Partners
- Chairman of the board of EG A/S
- Chairman of the board of Vendavo
- Member of the board of Plex Systems (lead director)
- Member of the board of ByBox

Paul Joseph Ilse

- Senior Operating Partner of Francisco Partners Consulting
- Chairman of the board of BluJay Solutions
- Member of the board of EG A/S
- Member of the board of NMI
- Member of the board of QGenda
- Interim CEO and member of the board of Discovery Education
- Member of the board of 2CheckOut

Stephan Dennis Scholl

- Advisor to Francisco Partners
- Member of the board of EG A/S
- Member of the board of Avaya
- Member of the board of 1010 Data

Quentin Lathuille

- Vice President with Francisco Partners
- Member of the board of EG A/S

Deep Shah – Vice Chairman

- Co-President of Francisco Partners
- Vice chairman of EG A/S
- Member of the board of BluJay Solutions
- Member of the board of Bybox

Carsten Nygaard Knudsen

- Director of Søgaarden Sjælsø ApS
- Member of the board of EG A/S
- Chairman of the board of GSV Holding A/S
- Chairman of the board of GSV Materiel Udlejning A/S
- Chairman of the board of Tresu A/S
- Chairman of the board of Tresu Group Holding A/S
- Chairman of the board of Tresu Investment Holding A/S
- Chairman of the board of Dane Topco ApS
- Vice chairman of the board of Glunz & Jensen Holding A/S
- Member of the board of Stibo Fonden
- Member of the board of Stibo Holding A/S
- Member of the board of Stibo Ejendomme A/S
- Member of the board of Languagewire A/S
- Member of the board of Languagewire Holding A/S
- Member of the board of Lyngsoe System Holding A/S
- Member of the board of Lyngsoe System A/S

Representatives elected by the employees

- Poul Ejner Rabjerg
- Stein Rustad
- Brian G. Frandsen

Representatives elected by the employees do not hold directorships outside EG.

Executive Board

Mikkel Bardram

- CEO, EG

Directorships in subsidiaries which are wholly owned by EG A/S are not included in this list.

Management’s statement

The Board of Directors and Executive Board have today considered and adopted the Annual Report of EG A/S for the financial year 1 January – 31 December 2019.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2019.
In our opinion, the Management’s Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Herning, 15 May 2020

Executive Board

Mikkel Bardram (CEO)

Board of Directors

Petri Oksanen (Chairman)

Deep Shah (Vice Chairman)

Paul Joseph Ilse

Carsten Nygaard Knudsen

Quentin Lathuille

Stephan Dennis Scholl

Brian G. Frandsen

Poul Rabjerg

Stein Rustad

Independent auditor's report

To the Shareholders of EG A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of EG-Group for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 15 May 2020

Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Claus Lindholm Jacobsen State Authorised Public Accountant mne23328	Henrik Berring Rasmussen State Authorised Public Accountant mne34157

Note	DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
5	Revenue	1,360.3	1,220.6	521.9	448.9
	Cost of Sales	245.5	199.5	78.8	14.0
6	Staff costs	624.0	534.2	299.0	265.2
	Other external expenses	183.4	181.1	30.9	97.7
	Other operating income	49.0	0.0	49.0	86.8
	EBITDA before special items, continuing operations	356.4	305.8	162.1	158.8
7	Special items	69.7	40.9	48.2	36.9
	EBITDA, continuing operations	286.7	264.9	113.9	122.0
8	Depreciation, amortisation and impairment	265.2	208.4	88.9	72.8
	EBIT, continuing operations	**21.4**	**56.5**	**25.0**	**49.2**
9	Share of profit/loss and tax on investments in subsidiaries	0.0	0.0	-29.7	-5.6
10	Other financial income	2.0	1.8	86.2	24.1
10	Other financial expenses	35.9	79.1	116.9	105.9
	Profit/loss before tax, continuing operations	**-12.5**	**-20.7**	**-35.4**	**-38.1**
11	Tax on profit/loss for the year from continuing operations	-3.8	4.4	-12.1	-2.7
	Profit/loss for the year, continuing operations	**-8.8**	**-25.1**	**-23.3**	**-35.4**
26	Profit/loss after tax, discontinued operations	-43.7	-115.6	-29.3	-105.4
	Profit/loss for the year	**-52.5**	**-140.8**	**-52.5**	**-140.8**
	Other comprehensive income				
	Recirculation on realisation				
	Foreign exchange adjustment, foreign subsidiaries	0.8	-0.4	0.8	-0.4
	Interest rate swap adjustment	0.0	2.6	0.0	2.6
12	**Comprehensive income for the year**	**-51.8**	**-138.6**	**-51.8**	**-138.6**

		Group		Parent Company	
Note	DKK million	2019	2018	2019	2018
	ASSETS				
	Goodwill	622.5	394.0	132.9	132.9
	Other intangible assets	418.0	261.7	44.7	31.4
	Licensing rights	225.7	191.9	9.2	2.4
	Completed development projects	68.7	94.2	43.3	52.3
	Development projects in progress	119.1	123.9	30.3	51.7
13	**Intangible assets**	**1,454.1**	**1,065.8**	**260.4**	**270.7**
	Land and buildings, etc.	152.0	81.6	123.8	69.5
	Leasehold improvements	4.4	5.6	3.4	4.8
	Tools and equipment, etc.	24.3	20.1	16.1	18.2
14	**Tangible assets**	**180.7**	**107.3**	**143.4**	**92.5**
9	Investments in subsidiaries	0.0	0.0	792.4	830.3
11	Deferred tax assets	0.0	0.0	0.0	5.0
15	Investments in associates	0.2	0.1	0.2	0.1
	Financial assets	**0.2**	**0.1**	**792.6**	**835.4**
	Non-current assets	**1,635.0**	**1,173.2**	**1,196.3**	**1,198.6**
16	**Goods for resale**	**4.2**	**1.1**	**2.3**	**0.8**
17	Trade receivables	223.2	167.2	97.6	69.2
18	Contract assets	47.5	23.2	4.8	7.0
28	Receivables from group entities (EG/subsidiaries)	0.0	0.0	320.7	327.6
	Income tax	0.0	0.0	0.0	4.6
19	Other receivables	75.6	38.7	40.0	20.1
	Prepayments	46.1	31.2	11.9	13.6
	Receivables	**392.4**	**260.3**	**474.9**	**442.1**
27	Cash	140.8	38.1	649.6	37.3
	Current assets	**537.3**	**299.5**	**1,126.8**	**480.2**
26	**Assets held for sale**	**0.0**	**495.1**	**0.0**	**349.7**
	Assets	**2,172.4**	**1,967.7**	**2,323.2**	**2,028.6**

Note	DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
	EQUITY AND LIABILITIES				
	Share capital	71.0	71.0	71.0	71.0
	Reserve for development projects	0.0	0.0	53.6	93.1
	Translation reserve	-1.5	-2.2	-2.4	-3.2
	Retained earnings	177.8	44.3	125.1	-47.8
	Total equity	**247.3**	**113.1**	**247.3**	**113.1**
11	Deferred tax liabilities	165.1	85.8	7.5	0.0
20	Debt to banks	345.0	400.0	75.0	400.0
20	Lease liabilities	128.2	73.4	113.2	64.7
	Non-current liabilities	**638.3**	**559.2**	**195.7**	**464.7**
20	Debt to banks	0.0	50.7	556.8	465.5
20	Lease liabilities	42.5	21.2	26.5	16.7
	Interest-bearing current liabilities	**42.5**	**71.9**	**583.3**	**482.1**
18	Contract liabilities	30.1	9.8	3.6	3.1
	Trade payables	84.1	126.5	45.8	74.9
28	Amounts owed to parent/group companies	697.7	496.7	1,014.9	526.3
	Income tax	26.9	11.7	21.5	0.0
21	Other payables	314.3	242.1	178.0	142.5
22	Deferred income	91.2	57.2	33.1	21.8
	Non-interest-bearing current liabilities	**1,244.3**	**944.1**	**1,296.9**	**768.6**
	Current liabilities	**1,286.8**	**1,016.0**	**1,880.2**	**1,250.7**
	Liabilities	**1,925.1**	**1,575.1**	**2,075.9**	**1,715.4**
26	**Liabilities relating to assets held for sale**	**0.0**	**279.5**	**0**	**200.1**
	Equity and liabilities	**2,172.4**	**1,967.7**	**2,323.2**	**2,028.6**

Accounting policy

Dividends
Dividends are recognised as a liability at the time of adoption by the annual general meeting (the declaration date). Proposed but not yet paid dividends for the financial year are recognised in equity until adopted by the shareholders at the general meeting.

Reserve for development costs
Capitalised development costs as of the financial year beginning on 1 January 2016 are recognised separately in equity under "Reserve for development costs".

The reserve is reduced by regular amortisation and any impairment so that it does not exceed the amount recognised in the balance sheet as development costs. If an impairment loss is subsequently reversed, the reserve is restored. If the capitalised development costs are sold, the reserve is reduced by a corresponding amount.

Hedging reserve
The hedging reserve contains the accumulated net change in the fair value of hedging transactions that qualify as hedges of future cash flows and for which the hedged transaction has yet to be realised.

The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedge is no longer effective.

Translation reserve
Foreign exchange adjustments relating to subsidiaries with functional currencies other than the presentation currency of EG A/S are recognised directly in equity under a separate translation reserve. On full or partial realisation of the net investment, foreign exchange adjustments are recognised in the income statement.

Group DKK million	Share capital	Hedging reserve	Res. for dev. proj.	Trans. reserve	Retained earnings	Total equity
Equity at 1 January 2018	**71.0**	**-2.6**	**0.0**	**-1.9**	**194.2**	**260.8**
Comprehensive income for the year	0.0	2.6	0.0	-0.4	-140.8	-138.6
Adjustments concerning IFRS 15 and 16					-9.1	-9.1
Equity at 31 December 2018	**71.0**	**0.0**	**0.0**	**-2.2**	**44.3**	**113.1**
Comprehensive income for the year	0.0	0.0	0.0	0.8	-52.5	-51.8
Capital increase					172.2	172.2
Warrants					14.7	14.7
Other adjustements					-0.9	-0.9
Equity at 31 December 2019	**71.0**	**0.0**	**0.0**	**-1.5**	**177.8**	**247.3**

Parent Company DKK million	Share capital	Hedging reserve	Res. for dev. proj.	Trans. reserve	Retained earnings	Total equity
Equity at 1 January 2018	**71.0**	**-2.6**	**108.8**	**-2.8**	**86.4**	**260.8**
Comprehensive income for the year	0.0	2.6	-15.7	-0.4	-125.1	-138.6
Adjustments concerning IFRS 15 and 16					-9.1	-9.1
Equity at 31 December 2018	**71.0**	**0.0**	**93.1**	**-3.2**	**-47.8**	**113.1**
Comprehensive income for the year	0.0	0.0	-39.5	0.8	-13.1	-51.8
Capital increase	0.0				172.2	172.2
Warrants					14.7	14.7
Other adjustements					-0.9	-0.9
Equity at 31 December 2019	**71.0**	**0.0**	**53.6**	**-2.4**	**125.1**	**247.3**

DKK million	Number of shares	at DKK	Share capital
The share capital consists of	1	71,000,000	71.0

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Accounting policy

The consolidated cash flow statement is presented according to the indirect method and shows the cash flows for the year, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from acquisitions and divestments of businesses are shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired businesses from the date of acquisition and cash flows from divested businesses until the time of divestment.

Cash flows in currencies other than the functional currency are recognised in the cash flow statement using average monthly exchange rates, unless they deviate significantly from the actual exchange rates at the transaction dates. In the latter case, the actual daily exchange rates are used.

The statement of cash flows cannot be derived solely from the published financial information.

Cash flows from operating activities
Cash flows from operating activities are calculated as EBIT, operating profit or loss adjusted for non-cash operating items, changes in working capital, interest etc. received and paid and income taxes paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of intangible assets, property, plant and equipment and non-current financial assets.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of share capital, (purchase and sale of treasury shares), the raising and repayment of long-term debt and dividends distributed to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash, securities with a term to maturity of less than three months at the time of acquisition which can readily be converted into cash and are only subject to an insignificant risk of value changes as well as amounts owed to financial institutions.

Let's go further

Note	DKK million	Group 2019	Group 2018	Parent company 2019	Parent company 2018
	Cash flow from operating activities				
	EBIT, continuing operations	21.4	56.5	25.0	49.2
24	Adjustments	263.3	211.3	46.6	75.3
25	Change in working capital	-90.7	99.7	-56.3	68.2
	Change in other receivables and other payables	17.0	-181.6	397.1	-174.7
	Cash flow from operating activities before net financials	211.1	185.9	412.4	18.0
	Interest received	2.0	1.8	86.2	24.1
	Interest paid	-35.9	-74.6	-116.9	-101.3
	Cash flow from ordinary activities	177.2	113.1	381.7	-59.2
	Income tax paid	1.6	7.1	18.1	21.9
	Cash flow from operating activities, continuing operations	178.8	120.3	399.8	-37.3
26	Cash flow from operating activities, discontinued operations	-9.1	-28.9	-28.9	-33.8
	Cash flow from investing activities				
	Investment in intangible assets	-58.8	-58.8	-10.7	-18.2
	Sale of intangible assets	0.0	0.0	107.8	0.0
	Investment in property, plant and equipment	-7.6	-7.5	-3.3	-6.5
	Sale of property, plant and equipment	0.0	11.9	0.0	11.9
26	Acquisition of activities and equity investments	-504.3	0.0	-171.2	-5.6
	Investments in associates etc.	-0.1	0.0	-0.1	0.0
	Cash flow from investing activities, continuing operations	-570.8	-54.4	-77.4	-18.5
26	Cash flow from investing activities, discontinued operations	244.1	-4.1	244.1	-3.7
	Cash flow from financing activities				
	Repayment of non-current debt	-400.0	0.0	-325.0	0.0
	Proceeds of non-current debt	345.0	0.0	0.0	0.0
	Repayment on lease liabilities	-39.3	-16.9	-24.7	-13.4
	Group contributions	172.2	0.0	172.2	0.0
	Movements in the balance with parent company	201.0	-63.5	131.3	-63.5
	Cash flow from financing activities, continuing operations	278.9	-80.4	-46.2	-76.8
26	Cash flow from financing activities, discontinued operations	0.0	-26.7	0.0	-16.9
	Change in cash flow for the year	121.9	-74.2	491.4	-187.0
	Cash 1 January	-12.6	61.6	-428.1	-241.2
26	Cash, mergers and divestments	31.5	0.0	29.6	0.0
27	Cash 31 December, net	140.8	-12.6	92.8	-428.2

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This section provides a summary of significant accounting policies, new IFRS requirements and other general accounting policies.

A detailed description of the specific accounting policy applied is provided in the relevant notes so that all information about an accounting item is stated together.

General

The annual report of EG A/S, comprising parent company financial statements and consolidated financial statements, is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Danish Executive Order on Adoption of IFRSs issued pursuant to the Danish Financial Statements Act.

The annual report is presented in Danish kroner (DKK), which is considered to be the primary currency of the Group's activities and the functional currency of the parent company.

The accounting policies have been applied consistently throughout the financial year and to the comparative figures.

Comparative figures are not restated for any future standards to be implemented.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the parent company, EG A/S, and subsidiaries in which EG A/S directly or indirectly holds more than 50% of the voting rights or can or does exercise control in any other way. An assessment of whether EG A/S exercises control or significant influence takes potential voting rights into account.

The consolidated financial statements have been prepared by including the financial statements of the Parent company and the subsidiaries, which have all been prepared in accordance with the Group's accounting policies.
On consolidation, intra-group income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated entities are eliminated.

Entities that are not Group entities, but in which the Group holds 20% or more of the voting rights exercises significant influence in any other way are considered to be associates. The financial statements of associates are prepared in accordance with the Group's accounting policies, eliminating unrealised gains and losses on transactions between the Group and its associates in proportion to the shareholding in the associate.

Translation of amounts in foreign currencies

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary economic environment in which the reporting entity in question operates. Transactions in currencies other than the functional currency are transactions in foreign currency. On initial recognition, transactions in foreign currency are translated into the functional currency at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in the income statement under net financials.

Receivables, payables and other monetary items in foreign currency are translated to the functional currency at the exchange rate valid on the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date when the receivable or payable arose is recognised in the income statement under net financials.

On consolidation of foreign entities with functional currencies other than the Group's presentation currency, income statement items are translated at the exchange rate at the transaction date, and balance sheet items are translated at the exchange rate valid on the balance sheet date. The average exchange rate for the year is used as the exchange rate at the transaction date unless it deviates significantly from actual exchange rates. In that case, the actual exchange rates are used. Goodwill is considered to belong to the acquired entity in question and is translated at the exchange rate valid on the balance sheet date. Foreign exchange differences arising on translation of the opening equity of entities with functional currencies other than that of EG A/S at the exchange rate valid on the balance sheet date and on translation of income statements from the exchange rate on the transaction date to the exchange rate valid on the balance sheet date are recognised directly in equity as a separate translation reserve.

Foreign exchange adjustments relating to non-current receivables from subsidiaries which are considered to be an addition to the net assets of the subsidiaries are recognised directly in equity as a separate translation reserve.

Cost of sales

Cost of sales comprises costs incurred to generate the revenue for the year.

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Other external expenses
Other external expenses comprise expenses for distribution, sale, advertising, administration, etc. as well as write-downs for anticipated losses on trade receivables.

Other operating income and expenses
Other operating income and expenses comprise items secondary to the primary activities of the Group.

Receivables
Other receivables, which comprise receivables from group entities, are measured at amortised cost, which usually corresponds to nominal value.

Prepayments and deferred income
Prepayments comprise costs incurred relating to subsequent financial years.

Advance payments
Advance payments are measured at amortised cost.

Financial liabilities
Other liabilities, which comprise trade payables and payables to Group entities, are measured at amortised cost, which usually corresponds to nominal value.

Implementation of new and amended standards and interpretations

The Group has not amended or implemented new financial reporting standards in 2019.

The preparation of EG A/S's financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that affect the reported values of assets and liabilities and income and expenses at the balance sheet date. While these estimates are based on management's best knowledge of current events and actions, the actual results may differ from those estimates.

Management considers estimates, assumptions and judgements under the following items to be of material importance to the annual report:

Determining the stage of completion of implementation projects recognised over time
The stage of completion is determined based on estimates and assumptions regarding future costs – mainly remaining time to complete the project. Such estimates are subject to uncertainty because management considers hours spent and estimates of hours to be spent to provide the best basis for determining stages of completion. Management's estimates and assumptions are based on individual assessments of specific projects and regular follow-up on projects for purposes of identifying any deviations from known estimates and assumptions. The results of the individual assessments and regular follow-up are also used to make provisions for losses on projects.

Determining performance obligations in connection with sales of EG licences
EG's proprietary ERP systems, which are sold as on-premise licenses, comprise configuration and integration services. In management's opinion, these systems are so unique that only EG A/S can perform this work in practice and buying the license alone will therefore not entail any benefits for the customer. Accordingly, the license and integration/ configuration services are considered to be a single performance obligation.

Deferred tax
A management estimate is required to determine the recognition of deferred tax assets. Deferred tax assets are recognised when it is likely that there will be sufficient future taxable income to utilise the temporary differences. Based on factors such as historical profits and approved budgets, management has taken future taxable income into account in assessing whether deferred tax assets should be recognised.

Intangible assets
The value of intangible assets depends on future business developments in a number of areas and to circumstances that

EG A/S can influence, the future business structure, economic developments and technological developments are important.

The Group is in the moment of writing limited affected by the COVID-19 pandemic and the measures taken by the governments in the Scandinavian countries.

EG's management monitors the development closely and is prepared to implement the relevant measures possible to limit effects on revenues and earnings.

As it is not possible to foresee the duration of the pandemic and to which extent governments must continue taking measures it is still too early to estimate the size of the effects for 2020.

EG's management has performed scenario testing and evaluated the COVID-19 impact on the EG financials in three different scenarios. It is not possible to determine which of the test scenarios that are most likely to occur. However, the conclusion was that EG will have sufficient liquidity to support the various scenarios. EG's management assess that COVID-19 does not cause going concern challenges in 2020.

Accounting policy

Revenue derives from sales of licences for the Group's own software and related configuration and installation services, external software, subscription income and sales of hardware and consultancy services.

Revenue is recognised when control of the software or the service has passed to the customer.

The terms of payment are typically the current month. EG A/S does not enter into sales agreements with a credit period of more than 12 months and therefore does not adjust the agreed contract price by a financing component.

Sales of licenses for proprietary software comprise sales of licenses and configuration and installation services. This is considered to constitute a single performance obligation. Income from contracts primarily concerning configuration and installation services is recognised over time based on a stage of completion. If the license component constitutes the main part of the deliverable, the income is recognised when the customer is able to use the system.

The stage of completion for deliverables recognised over time is determined either as the number of hours spent relative to the estimated total number of hours in the project or in relation to predefined milestones and stages of completion for the projects. The total number of hours expected to be spent on each project and activity is re-estimated on a regular basis. If the stage of completion declines compared to the latest estimate, revenue is reversed so that revenue for the period always corresponds to the stage of completion at the end of the period.

Sales of external software

External software sales comprise sales of licenses for standard software solutions with added EG functionalities and related configuration and installation services. Software and configuration/installation services are considered to be separate performance obligations.

Income from software licenses is recognised when the customer has been given access to use the license. Income from configuration and installation services is recognised over time as the work is performed. If the customer's acceptance of the delivered functionalities is required, income is recognised at the time of acceptance.

Subscription income

Subscription income derives from industry software supplied as a Software as a Service (SaaS) solution, maintenance and hotline subscriptions and payroll services. Unspecified future

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upgrades, maintenance and helpline support are considered as one performance obligation. Such income is recognised over the term of the contract. Payments from customers for work required to commence delivery to the customer under a payroll administration agreement are considered a part of the total payment and are recognised over the period during which the payroll administration services are provided. Furthermore, costs incurred for such activities are capitalised and amortised over the contract term.

Sales of hardware

Income from the sale of hardware is recognised when control of the goods has passed to the buyer, which is usually at the time of delivery.

Sales of consultancy and development services

Income from the sale of consultancy and development services is recognised as the services are provided, usually on a straight-line basis over the term of the contract. Revenue is measured at the fair value of the agreed consideration net of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

	Revenue	
Segment information	2019	2018
Private	543.6	565.8
Public	570.4	530.1
Retail	105.4	19.9
Other	140.9	104.8
	1,360.3	1,220.6

Outstanding performance obligations

Future cashflow is positively affected by a number of multi-year contracts EG A/S has entered into, for which outstanding performance obligations at 31 December 2019 amounted to DKK 602.6 million. The average contract performance period is estimated at 4.0 years, and the maximum remaining term is 11 years.

Accounting policy

Staff costs consist of salaries, bonuses, pensions and social security costs, share-based payments, holiday pay, and other benefits. Staff costs are recognised in the financial year during which the employees performed the related work.

Members of the Executive Board and other executives are remunerated through a combination of salaries, performance-based bonus plans and warrants.

Members of the Executive Board have an extended term of notice of six months and are entitled to severance pay for six months. The Group only operates defined contribution pension plans. The Board of Directors and the Executive Board constitute Key Management Personnel.

	Group		Parent Company	
DKK million	2019	2018	2019	2018
Average number of employees	1,206	1,027	537	532
Total staff costs				
Wages and salaries	609.9	536.4	288.4	264.5
Pensions	43.0	37.5	16.4	15.3
Other social security costs	29.1	19.2	4.1	3.5
Staff costs before capitalisation	682.0	593.1	308.9	283.3
Work carried out for own account and capitalised	-58.0	-58.9	-9.9	-18.2
Staff costs	624.0	534.2	299.0	265.2
Remuneration of the Board of Directors and the Executive Board				
Wages and salaries	5.3	4.9	5.3	4.9
Pensions	0.2	0.3	0.2	0.3
Warrants	5.4	0.1	5.4	0.1
Board of Directors and the Executive Board	10.9	5.4	10.9	5.4

Accounting policy

Special items include significant non-recurring costs or income which are recognized in the statement of comprehensive income and which are not directly attributable to the Group's ordinary activities. Such items include restructuring costs, basic structural changes, and strategic considerations regarding the future of the business. Special items also include gains and losses on the disposal of companies, as well as transaction costs and adjustments to purchase prices of acquired companies. Special items are presented separately in the income statement to provide a more comparable basis for the company's operations. Management assesses which items are to be identified as special items and shown separately, in order to give a correct presentation of the comprehensive income statement.

	Group		Parent Company	
DKK million	2019	2018	2019	2018
Outsourcing of datacenters	1.0	16.4	1.0	16.4
Strategic initiatives	50.4	6.8	28.9	2.8
Costs related to sale of EG and discontinued operations	18.3	17.7	18.3	17.7
	69.7	40.9	48.2	36.9

Accounting policy

Reference is made to notes 13 and 14.

As a result of reduced revenue and earnings, intangibles related to goodwill, other intangibles and licensing rights concerning the Notaplan activity within the EG Private division was impaired in 2019.

A part of development projects in progress in Silkeborg Data within the EG Public division was impaired in 2019. The development project has been evaluated during 2019 and due to adjustments of the platform some capitalized developments from previous years have been impaired.

Let's go further

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Land and buildings, etc.	35.8	16.7	22.2	12.4
Leasehold improvements	2.6	2.4	2.1	1.9
Plant, machinery, IT equipment, etc.	8.7	9.1	5.5	7.2
Tools and equipment, etc.	3.0	1.9	2.6	1.8
Vehicles	4.4	3.9	3.9	3.7
Other	0.4	0.4	1.2	0.5
Depreciation	54.9	34.5	37.5	27.4
Amortisation	149.5	173.9	51.4	45.3
Impairment	60.8	0.0	0.0	0.0
Depreciation, amortisation and impairment	265.2	208.4	88.9	72.8

Accounting policy

Investments in subsidiaries are recognised and measured under the equity method. The proportionate ownership interest of the equity value of the subsidiaries is recognised in the balance sheet under the item "Investments in subsidiaries" based on the fair value of the identifiable net assets at the date of acquisition less or with the addition of unrealised intra-group gains or losses, with the addition of the remaining positive balance (goodwill) and less the remaining negative balance (negative goodwill).

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

Subsidiaries with negative equity value are recognised at DKK 0. If the parent company has a legal or constructive obligation to cover the subsidiary's negative balance, a provision for that obligation is recognised.

The proportionate share of the profit for the year less impairment of goodwill is recognised in the income statement item "Income from investments in subsidiaries".

DKK million	Parent Company 2019	2018
Cost at 1 January	1,021.8	1,016.2
Merger with subsidiary	-154.8	0.0
Additions at cost	141.2	5.6
Cost at 31 December	1,008.2	1,021.8
Revaluation and impairment at 1 January	-191.5	-183.1
Merger with subsidiary	5.5	0.0
Corrected revaluation and impairment at 1 January	-186.0	-183.1
Distributed result incl. amortization and write-downs of goodwill and tax	-29.7	-5.6
Exchange rate adjustements	-0.2	-2.8
Revaluation and impairment at 31 December	-215.9	-191.5
Carrying amount at 31 December 2019	792.4	830.3

DKK million	Parent Company 2019	2018
Dynaway A/S	9.0	22.7
EG Kommuneinformation A/S*	0.0	18.8
EG Norge AS	16.0	-7.2
EG Sverige AS	17.6	-9.4
Digital Welfare ApS	28.4	6.5
IT Minds ApS	10.0	7.9
EG Hairtools ApS	3.7	4.5
AX IV SD Holding ApS	4.8	15.8
Xena ApS	0.7	1.0
Notaplan ApS**	0.0	0.8
Notaplan AS	-2.2	3.2
CodeZoo ApS	-8.8	0.4
L5 Public Payroll Software ApS**	0.0	2.2
Sonlinc A/S	-9.0	0.0
Calwin A/S	0.6	0.0
Lindbak Norge	11.5	0.0
Lindbak Sverige	0.4	0.0
Profit/loss for the year	82.8	67.0

DKK million	Parent Company 2019	2018
Dynaway A/S	49.3	40.3
EG Kommuneinformation A/S*	0.0	104.4
EG Norge AS	36.5	27.2
EG Sverige AS	35.2	3.0
Digital Welfare ApS	174.9	42.2
IT Minds ApS	43.3	33.3
EG Hairtools ApS	13.3	9.6
AX IV SD Holding ApS	250.7	245.8
Xena ApS	1.5	1.5
Notaplan ApS**	0.0	6.7
Notaplan AS	2.2	4.3
CodeZoo ApS	-5.3	2.9
L5 Public Payroll Software ApS**	0.0	142.2
Sonlinc A/S	0.6	0.0
Calwin A/S	8.5	0.0
Lindbak Norge	16.8	0.0
Lindbak Sverige	16.5	0.0
Equity at 31 December	644.0	663.3

* Merged with Digital Welfare ApS in 2019

** Merged with EG A/S in 2019

Local annual reports may differ from the statement prepared under IFRS.

Accounting policy

Financial income and expenses comprise interest income and expenses, realised and unrealised foreign exchange gains refunds and surcharges under the Danish tax prepayment scheme and losses on transactions in foreign currencies, interest on lease liabilities, amortisation of financial assets and liabilities, and surcharges and allowances under the tax prepayment scheme.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Other financial income				
Interest received from group entities	0.0	0.0	81.2	20.5
Interest received from banks	1.4	0.3	2.9	3.4
Exchange rate adjustements	0.0	1.1	1.9	0.0
Other interest income	0.6	0.5	0.2	0.2
Other financial income	2.0	1.8	86.2	24.1
Other financial expenses				
Interest paid to group entities	7.7	38.4	66.7	40.0
Interest paid to banks	16.4	22.3	43.6	50.6
Leases	0.0	5.7	0.0	4.7
Exchange rate adjustements	4.5	7.0	0.9	5.2
Amortisation of borrowing costs	0.0	4.5	0.0	4.5
Other interest expenses	7.2	1.1	5.7	0.9
Other financial expenses	35.9	79.1	116.9	105.9

Accounting policy

Current tax payable and receivable is recognised in the balance sheet as the tax charge on the taxable income for the year adjusted for tax paid on account. Tax for the year is calculated using the tax rates and regulations applicable at the balance sheet date. Deferred tax is recognised under the balance sheet liability method on the basis of temporary differences between the carrying amount of assets and liabilities and their tax base.

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

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, are applicable in the relevant countries at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

Tax for the year consists of current tax for the year and changes in deferred tax for the year and is recognised in the income statement at the share that can be attributed to the result for the year and directly in equity at the share attributable to equity transactions.

EG A/S is taxed jointly with all Danish subsidiaries. The current Danish income tax is allocated to the jointly taxed entities in proportion to their taxable income. Entities utilising tax losses in other entities pay a joint taxation contribution to the parent company equal to the tax base of the losses used, while entities whose tax losses are utilised by other entities receive a joint taxation contribution from the parent company equal to the tax base of the losses used (full allocation). The jointly taxed entities are taxed under the Danish tax prepayment scheme.

Deferred tax assets are assessed annually and are recognised only if it is highly probable that they will be utilised.

	Group		Parent Company	
DKK million	2019	2018	2019	2018
Tax on profit for the year				
Tax on taxable profit for the year	-21.0	11.7	-22.4	-4.6
Prior-year tax adjustment	-1.3	-4.6	-0.9	-4.4
Adjustment of deferred tax	18.5	-2.8	11.2	6.3
Tax on profit for the year	-3.8	4.4	-12.1	-2.7
Effective tax rate for the year				
Income tax rate in Denmark	22.0	22.0	22.0	22.0
Impairment of goodwill	0.0	-8.6	0.0	-8.4
Tax deductibilty warrants	164.9	0.0	58.2	0.0
Other permanent items including limitation of interest deductibility	-162.9	9.0	-38.8	-5.3
Tax base of non-capitalised losses	0.0	-1.0	0.0	0.0
Difference between Danish and foreign tax rates	1.9	0.2	0.2	0.0
Effect of recapture of losses in Sweden	-6.2	0.0	-10.4	0.0
Adjustment of tax and deferred tax relating to prior years	10.7	-0.4	3.1	-0.5
Effective tax rate for the year	30.4	21.2	34.3	7.8
Deferred tax regarding				
Intangible assets	184.0	120.0	24.3	29.6
Property, plant and equipment	23.0	24.5	24.0	23.4
Staff costs	0.0	0.0	0.0	0.0
Current assets	-5.2	-16.9	-4.6	-17.0
Deferred income, liabilities	-36.7	-41.8	-36.2	-40.9
Total	165.1	85.8	7.5	-5.0
Deferred tax asset	0.0	0.0	0.0	5.0
Provision for deferred tax	165.1	85.8	7.5	0.0
The year's change in deferred tax may be specified as follows:				
Deferred tax for the year recognised in result of continuing operations	18.5	-2.8	11.2	6.3
Deferred tax for the year recognised in result of discontinued operations	-39.9	-14.0	-30.2	-11.2
Total	-21.4	-16.8	-19.0	-4.9

The Board of Directors proposes that the comprehensive income for the year be distributed as follows:

Accounting policy

Goodwill

including software and licensing rights, and are recognised at fair value. Amortisation is provided over the expected useful life, which is 2-20 years. If the annual impairment test shows that an intangible asset is impaired, its carrying amount is reduced, see below.

Business combinations

In connection with business combinations, acquired customer relationships are assessed. The measurement is based on future cash flows from the customer relationships with the most important assumptions being the development in operating profit before amortisation and tax, customer loyalty and theoretically calculated tax and contributions to other assets. Customer relationships are measured at cost less accumulated amortisation and impairment losses. Customer relationships are amortised on a straight-line basis over the expected useful life, which is 7-25 years. If the annual impairment test shows that a customer relationship is impaired, its carrying amount is reduced, see below.

Impairment testing

Intangible assets and other non-current assets are tested for impairment on an annual basis. Non-current assets that are not subject to amortisation or depreciation are also tested for impairment if there is an indication of impairment. Impairment testing is performed for each of the Group's cash-generating units (CGUs). The determination of cash-generating units is based on the management structure and the internal financial management.

The value of intangible assets is tested based on the expected performance of the relevant CGU in future years. If the value of a CGU significantly exceeds the carrying amount of the assets, the values are maintained. Alternatively, detailed budgets and business plans for the following years are reviewed, and the value of the CGU is calculated based on the present value of future cash flows.

The carrying amount of other non-current assets is assessed annually to determine whether there is an indication of impairment. If such indication is identified, the recoverable amount of the assets is determined. The recoverable amount is the higher of the fair value of the assets less expected costs to sell and its value in use. An impairment loss is recognised where the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit. Impairment losses are recognised in the income statement under "Depreciation, amortisation and impairment". However, impairment of goodwill is recognised on a separate line item in the income statement.

Let's go further

Group, DKK million	Goodwill	Order backlog	Customer relation-ships	Trade-mark	Other intangible assets	Licensing rights	Comple-ted develop-ment projects	Develop-ment projects in progress	Total
Cost at 1 January 2019	646.7	132.9	386.2	18.7	17.8	449.5	354.2	127.1	2,133.1
Adjustments regarding reclassifications	-84.1	0.9	-1.0	-1.2	1.0	7.4	18.0	-3.8	-62.8
Additions at cost	236.1	0.0	195.3	0.0	0.8	99.1	0.0	58.0	589.3
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	31.3	-31.3	0.0
Disposals at cost	0.0	0.0	0.0	0.0	0.0	-37.1	0.0	0.0	-37.1
Cost at 31 December 2019	798.7	133.8	580.5	17.5	19.6	518.9	403.5	150.0	2,622.5
Amortisation and impairment at 1 January 2019	-252.7	-132.9	-126.0	-17.2	-17.8	-257.6	-260.0	-3.2	-1,067.4
Adjustments regarding reclassifications	84.0	0.0	0.4	1.1	-0.8	5.4	-23.7	0.0	66.5
Amortisation and impairment for the year	-7.5	-0.9	-39.2	-0.8	0.0	-83.1	-51.1	-27.7	-210.3
Amortisation and impairment for the year, sold assets	0.0	0.0	0.8	0.0	0.0	42.0	0.0	0.0	42.8
Amortisation and impairment at 31 December 2019	-176.1	-133.8	-163.9	-17.0	-18.6	-293.3	-334.8	-30.9	-1,168.4
Carrying amount at 31 December 2019	622.5	0.0	416.6	0.5	0.9	225.7	68.7	119.1	1,454.1
Cost at 1 January 2018	879.8	132.9	695.5	18.7	20.8	450.5	356.6	162.8	2,717.4
Additions at cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.9	60.9
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	94.4	-94.4	0.0
Transferred to assets held for sale	-232.5	0.0	-308.6	0.0	-3.0	-1.0	-96.2	-1.9	-643.2
Market value adjustments	-0.5	0.0	-0.7	0.0	0.0	0.0	-0.5	-0.2	-2.0
Cost at 31 December 2018	646.7	132.9	386.2	18.7	17.8	449.5	354.2	127.1	2,133.1
Amortisation and impairment at 1 January 2018	-346.1	-94.1	-242.9	-16.5	-20.8	-206.5	-233.7	-3.2	-1,163.8
Amortisation and impairment for the year	-45.5	-38.8	-48.3	-0.8	0.0	-51.9	-86.4	0.0	-271.7
Transferred to assets held for sale	138.4	0.0	165.0	0.0	3.0	0.8	59.7	0.0	366.9
Market value adjustments	0.5	0.0	0.2	0.0	0.0	0.0	0.4	0.0	1.2
Amortisation and impairment at 31 December 2018	-252.7	-132.9	-126.0	-17.2	-17.8	-257.6	-260.0	-3.2	-1,067.4
Carrying amount at 31 December 2018	394.0	0.0	260.2	1.4	0.0	191.9	94.2	123.9	1,065.7

Parent Company, DKK million	Goodwill	Order backlog	Customer relation-ships	Trade-mark	Other intangible assets	Licensing rights	Comple-ted develop-ment projects	Develop-ment projects in progress	Total
Cost at 1 January 2019	252,0	5,9	69,6	11,8	15,8	85,1	225,9	51,7	717,8
Adjustments regarding reclassifications	0,0	0,0	0,0	0,0	0,0	0,0	14,8	0,0	14,8
Additions regarding business combinations	0,0	0,0	0,0	0,0	0,0	139,1	0,0	0,0	139,1
Additions at cost	0,0	0,0	19,5	0,0	0,8	10,5	0,0	9,9	40,7
Transfers	0,0	0,0	0,0	0,0	0,0	0,0	31,3	-31,3	0,0
Disposals at cost	0,0	0,0	0,0	0,0	0,0	-139,1	0,0	0,0	-139,1
Cost at 31 December 2019	252,0	5,9	89,1	11,8	16,6	95,6	272,0	30,3	773,3
Amortisation and impairment at 1 January 2019	-119,1	-5,9	-38,2	-11,8	-15,8	-82,7	-173,6	0,0	-447,1
Adjustments regarding reclassifications	0,0	0,0	0,0	0,0	0,0	0,0	-21,2	0,0	-21,2
Additions regarding business combinations	0,0	0,0	0,0	0,0	0,0	-23,2	0,0	0,0	-23,2
Amortisation and impairment for the year	0,0	0,0	-7,8	0,0	0,0	-9,5	-34,0	0,0	-51,4
Amortisation and impairment for the year, sold assets	0,0	0,0	0,8	0,0	0,0	29,0	0,0	0,0	29,8
Amortisation and impairment at 31 December 2019	-119,1	-5,9	-45,2	-11,8	-15,8	-86,3	-228,7	0,0	-512,9
Carrying amount at 31 December 2019	132,9	0,0	43,9	0,0	0,8	9,2	43,3	30,3	260,4
Cost at 1 January 2018	467,4	5,9	279,2	11,8	18,8	86,1	235,5	98,5	1.203,1
Additions at cost	0,0	0,0	0,0	0,0	0,0	0,0	0,0	20,2	20,2
Transfers	0,0	0,0	0,0	0,0	0,0	0,0	65,2	-65,2	0,0
Disposals at cost	0,0	0,0	0,0	0,0	0,0	0,0	-0,2	0,0	-0,2
Transferred to assets held for sale	-215,4	0,0	-209,6	0,0	-3,0	-1,0	-74,6	-1,8	-505,3
Cost at 31 December 2018	252,0	5,9	69,6	11,8	15,8	85,1	225,9	51,7	717,8
Amortisation and impairment at 1 January 2018	-198,3	-5,9	-143,9	-11,8	-18,8	-78,7	-157,5	0,0	-615,0
Amortisation and impairment for the year	-45,5	0,0	-18,6	0,0	0,0	-4,8	-61,1	0,0	-129,9
Amortisation and impairment for the year, sold assets	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,2
Transferred to assets held for sale	124,6	0,0	124,3	0,0	3,0	0,8	44,9	0,0	297,6
Amortisation and impairment at 31 December 2018	-119,1	-5,9	-38,2	-11,8	-15,8	-82,7	-173,6	0,0	-447,1
Carrying amount at 31 December 2018	132,9	0,0	31,4	0,0	0,0	2,4	52,3	51,7	270,7

Let's go further

Goodwill

Goodwill is the only intangible asset with an indefinite useful life. Goodwill is tested for impairment at least once annually. The impairment test is performed on the basis of the segment(s) representing the lowest level of cash-generating unit in which goodwill is monitored. For acquired activities and entities that are integrated into one or more EG divisions, impairment testing of each acquisition is not possible.

The impairment test included the following cash-generating units:

-

  This business unit sells standardised systems and implements proprietary ERP systems with related financial management and administration systems within a number of sectors.

  The systems are provided as standard solutions requiring no or very little customisation.

  Revenue is primarily derived from the sale of subscription services such as SaaS (Software as a Service) services and hotline and support agreements and is primarily based on the Group's proprietary systems. Sales of consultancy services in connection with implementation projects and related software and hardware sales also contribute to revenue.

  The main operating assumptions applied in determining expected cash flows are the number of subscriptions and, to a lesser extent, the number of hours sold relative to the total number of hours available.

-

  This business unit sells various systems and services primarily for the public and utility sectors.

  Revenue is primarily derived from the sale of subscription services such as SaaS (Software as a Service) services and hotline and support agreements and is primarily based on the Group's proprietary systems.

  The main operating assumption applied in determining the cash flows is the number of subscriptions.

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  The Retail division provides business critical IT solution to large retail chains within the Nordics. The solution portfolio consists of a full omni-channel platform, loyalty solution and administration system for ambitious retail chains.

  Revenue is primarily derived from software licenses, support, SaaS (Software as a Service), Haas (Hardware as a Service), consultancy and Hardware sales.

The impairment test is based on a Discounted Cash Flow (DCF) model incorporating the latest realised annual results (as a basis of comparison) and an estimate for the next five years. The estimate incorporates a 12-month budget period and management's long-term strategy model for the next 48 months based on an expected growth rate of 11.4% p.a. For the subsequent terminal period, a growth rate of 3% is applied. The growth rate during the budget period is based on improved capacity utilisation.

For the calculation of the net present value (NPV), the Group's WACC is applied, which is based on the current borrowing rate and its expected development as well as the return on equity requirement, which is determined based on the risk profile. The rate applied is currently 10.0% after tax. The same WACC is used for both business units as the businesses are not significantly different.

To enhance the validity of the impairment test, the expected measurement has also been estimated based on market-accepted multiples for measuring entities based on EBITDA. The calculation includes the budgeted results for each CGU.

Testing goodwill for impairment did not give rise to any impairment losses in 2019.

The Group's total goodwill may be specified by CGUs as shown below.

Development projects

Recognised development projects completed or in progress primarily include the development of the Group's proprietary software solutions and various industry solutions.

Management has tested recognised development costs for impairment and estimates that the recoverable amount exceeds the carrying amount at 31 December 2019. Cash flows have been estimated based on a 12-month budget period and a projection for the next 48 months.

Other intangible assets

Other intangible assets primarily comprise customer relationships. Management has not, neither in 2018 nor in 2019, identified any factors indicating a need to test other intangible assets for impairment.

Goodwill

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Retail	200.5	0.0	0.0	0.0
Private	158.5	93.0	112.9	107.1
Public	229.4	235.6	7.9	25.8
Other	34.1	65.4	12.1	0.0
	622.5	394.0	132.9	132.9

Customer relationships

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Retail	101.7	0.0	0.0	0.0
Private	90.5	12.2	40.6	5.0
Public	211.3	218.4	1.3	5.4
Other	13.1	29.6	2.0	21.1
	416.6	260.2	43.9	31.4

Licensing rights

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Retail	61.0	0.0	0.0	0.0
Private	57.8	75.7	9.2	2.4
Public	106.9	116.2	0.0	0.0
	225.7	191.9	9.2	2.4

Accounting policy

Land and buildings, technical plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Subsequent costs, e.g. in connection with the replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will lead to future economic benefits. All other costs incurred in connection with ordinary repairs and maintenance are recognised in the income statement as incurred.

The basis of depreciation is cost less residual value at the end of the useful life. Residual value is calculated as the amount at which the asset can be sold at the balance sheet date if the age and state of the asset are as expected at the end of its useful life less costs of disposal.

Depreciation is provided on a straight-line basis on the assets' estimated useful lives and residual values as follows:

Assets	***Depreciation period***
Buildings	*Up to 10 years*
Leasehold improvements	*5 years/commitment period*
Technical plant, computers, etc.	*3-5 years*
Tools and equipment, etc.	*5 years*
Vehicles	*5 years*
Land and art	*No depreciation*

The item Leasehold improvements comprises costs invested in leased premises to customise them for the Group's purposes.

Property, plant and equipment are written down to the lower of the recoverable amount and carrying amount, see the description of the annual impairment test below.

Lease assets
Lease assets are assets to which a right of use is attached under a lease. Lease assets are measured at cost, equivalent to the original lease liability adjusted for payments made to the lessor before the commencement date of the lease.

Lease assets are included in the following asset classes:

- *Buildings*
- *Fixtures and fittings*
- *Equipment (vehicles)*

Lease assets are depreciated on a straight-line basis over the term of the lease.
The expected lease term is assessed as the non-cancellable lease term plus periods comprised by an extension option, which management with reasonable probability expects to exercise.

Lease assets with a term of less than 12 months and leases of low-value assets are not included in the item.

Let's go further

Group, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Cost at 1 January 2019	273.1	17.4	132.7	423.2
Adjustments regarding reclassifications	-32.5	-0.9	0.0	-33.4
Additions regarding business combinations	20.5	1.0	16.0	37.4
Additions at cost	40.1	0.3	7.7	48.0
Disposals at cost	0.0	1.9	0.0	1.9
Exchange rate adjustments	0.0	0.0	-0.6	-0.6
Cost at 31 December 2019	301.1	19.6	155.7	476.4
Depreciation and impairment at 1 January 2019	-191.5	-11.8	-112.6	-315.9
Adjustments regarding reclassifications	78.5	-1.0	6.9	84.4
Additions regarding business combinations	0.0	0.0	-9.8	-9.8
Depreciation for the year	-35.8	-2.6	-16.5	-54.9
Depreciation and impairment of assets sold	0.0	0.1	0.4	0.5
Exchange rate adjustments	-0.2	0.0	0.2	0.0
Depreciation and impairment at 31 December 2019	-149.1	-15.3	-131.4	-295.7
Carrying amount at 31 December 2019	152.0	4.4	24.3	180.7
Cost at 1 January 2018	1.2	22.0	168.1	191.2
Corrections regarding change in accounting policies	381.3	0.0	30.5	411.8
Additions at cost	5.8	1.2	15.3	22.4
Disposals at cost	0.0	-3.5	-44.7	-48.2
Transferred to assets held for sale	-115.2	-2.0	-36.1	-153.4
Exchange rate adjustments	0.0	-0.2	-0.4	-0.6
Cost at 31 December 2018	273.1	17.4	132.7	423.2
Depreciation and impairment at 1 January 2018	-0.2	-13.6	-135.9	-149.7
Corrections regarding change in accounting policies	-209.9	0.0	-8.9	-218.8
Depreciation for the year	-34.0	-2.7	-23.5	-60.3
Depreciation and impairment of assets sold	0.0	3.5	32.8	36.3
Transferred to assets held for sale	52.4	0.9	22.6	75.9
Exchange rate adjustments	0.2	0.2	0.4	0.8
Depreciation and impairment at 31 December 2018	-191.5	-11.8	-112.6	-315.8
Carrying amount at 31 December 2018	81.6	5.6	20.1	107.3

The following amounts is included in the annual report where the group acts as a lessee under finance leases:

Group 2019, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Additions at cost for the year	40.1	0.0	0.7	40.8
Carrying amount at 31 December	151.0	0.0	8.7	159.7
Depreciation for the year	35.8	0.0	6.4	42.2
Financial expenses	5.8	0.0	0.3	6.1
Total cash outflow for the year	38.8	0.0	6.7	45.5

Group 2018, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Additions at cost for the year	5.8	0.0	6.5	12.3
Carrying amount at 31 December	81.6	0.0	8.6	90.2
Depreciation for the year	16.7	0.0	0.9	17.6
Financial expenses	3.9	0.0	0.0	3.9
Total cash outflow for the year	14.5	0.0	6.4	20.9

Let's go further

Parent Company, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Cost at 1 January 2019	223.6	15.1	99.1	337.8
Adjustments regarding reclassifications	-8.1	1.1	-0.6	-7.6
Additions at cost	34.5	0.2	3.5	38.3
Transfers	0.0	-0.2	0.0	-0.2
Cost at 31 December 2019	250.0	16.2	102.1	368.4
Depreciation and impairment at 1 January 2019	-154.1	-10.3	-80.9	-245.3
Adjustments regarding reclassifications	50.1	-0.5	8.0	57.6
Depreciation for the year	-22.2	-2.1	-13.2	-37.5
Depreciation and impairment of assets sold	0.0	0.1	0.0	0.1
Depreciation and impairment at 31 December 2019	-126.2	-12.8	-86.0	-225.0
Carrying amount at 31 December 2019	123.8	3.4	16.1	143.4
Cost at 1 January 2018	1.2	16.1	129.9	147.2
Corrections regarding change in accounting policies	298.8	0.0	28.0	326.9
Additions at cost	0.0	0.8	13.4	14.1
Disposals at cost	0.0	-0.6	-40.8	-41.4
Transferred to assets held for sale	-76.4	-1.1	-31.5	-109.0
Cost at 31 December 2018	223.6	15.1	99.1	337.8
Depreciation and impairment at 1 January 2018	-0.2	-9.3	-101.3	-110.7
Corrections regarding change in accounting policies	-161.4	0.0	-8.2	-169.6
Depreciation for the year	-21.8	-2.1	-19.9	-43.9
Depreciation and impairment of assets sold	0.0	0.6	28.9	29.5
Transferred to assets held for sale	29.3	0.5	19.5	49.4
Depreciation and impairment at 31 December 2018	-154.1	-10.3	-80.9	-245.3
Carrying amount at 31 December 2018	69.5	4.8	18.2	92.5

Let's go further

The following amounts is included in the annual report where the parent company acts as a lessee under finance leases:

Parent 2019, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Additions at cost for the year	34.5	0.0	0.5	35.0
Carrying amount at 31 December	122.7	0.0	8.3	131.0
Depreciation for the year	22.2	0.0	6.0	28.2
Financial expenses	4.6	0.0	0.3	4.9
Total cash outflow for the year	23.5	0.0	6.1	29.6

Parent 2018, DKK million	Land and buildings, etc.	Lease-hold improve-ments	Plant, machinery, IT equip-ment, etc.	Total
Additions at cost for the year	0.0	0.0	0.0	0.0
Carrying amount at 31 December	69.5	0.0	8.4	77.9
Depreciation for the year	12.4	0.0	1.8	14.2
Financial expenses	4.4	0.0	0.0	4.4
Total cash outflow for the year	14.5	0.0	3.3	17.8

Accounting policy

Investments in associates are measured at cost on initial recognition and subsequently under the equity method, i.e. at the proportionate share of the equity value of the enterprises determined in accordance with the Group's accounting policies, minus or plus the proportionate share of intra-group profits and losses and plus goodwill.

The proportionate share of the profit for the year less amortisation of goodwill is recognised in the income statement item "Income from investments in associates".

Let's go further

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Cost at 1 January	0.1	0.1	0.1	0.1
Additions at cost	0.1	0.0	0.1	0.0
Cost at 31 December	0.2	0.1	0.2	0.1
Revaluation and impairment at 1 January	0.0	0.0	0.0	0.0
Revaluation and impairment at 31 December	0.0	0.0	0.0	0.0
Carrying amount at 31 December	0.2	0.1	0.2	0.1

The Group's investments are in the company: Florainfo ApS, Odense, Denmark. Voting share and ownership interest: 14.18%.

Accounting policy

The inventory of these primarily consist of purchased goods for resale and spare parts and is measured according to the FIFO principle. The cost of goods for resale is calculated as purchase price plus delivery costs.

Where the net realisable value is lower than the cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as selling price less costs incurred to make the sale and costs and with due consideration for marketability, obsolescence and developments in expected selling price.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Goods for sale	4.2	1.1	2.3	0.8
Write-down of goods for resale	0.3	0.0	0.0	0.0

Accounting policy

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, usually corresponding to the nominal value less loss allowance.

The loss allowance is determined by applying the expected loss rate determined on the basis of past experience of the receivable's lifetime expected credit loss.

Group 31 December 2019	Not due	0-30 days	31-90 days	> 90 days	Total
Trade receivables	165.8	53.6	6.3	2.7	228.4
Provision for losses					-5.2
Net value					223.2

Group 31 December 2018	Not due	0-30 days	31-90 days	> 90 days	Total
Trade receivables	151.1	14.9	2.4	3.5	172.0
Provision for losses					-4.8
Net value					167.2

Parent Company 31 December 2019	Not due	0-30 days	31-90 days	> 90 days	Total
Trade receivables	68.6	25.1	3.6	1.1	98.4
Provision for losses					-0.8
Net value					97.6

Parent Company 31 December 2018	Not due	0-30 days	31-90 days	> 90 days	Total
Trade receivables	68.3	2.2	0.1	0.1	70.7
Provision for losses					-1.5
Net value					69.2

Group: The selling price of contract work in progress comprises N5 . w nt97 (s)TJ Tc 03.-82.387 0 Tw ( )T222.387 0 –w ( )T496.387 0 Tw ( )Tj.001 8(n

Accounting policy

Bank debt
Debt to banks etc. is recognised at the at the date of borrowing value of proceeds received less transaction costs. Subsequently, financial liabilities are recognised at amortised cost, equivalent to the capitalised value using the effective interest rate. The difference between the proceeds and the nominal value is thus recognised in the income statement over the term of the loan.

	Group		Parent Company	
DKK million	2019	2018	2019	2018
Debt to banks				
Current debt	0.0	50.7	556.8	465.5
Non-current debt	345.0	400.0	75.0	400.0
	345.0	450.7	631.8	865.5
Lease liabilities				
Current debt	42.5	21.2	26.5	16.7
Non-current debt	128.2	73.4	113.2	64.7
	170.7	94.6	139.7	81.4

The Group's debt to banks is shown as a net amount as a result of cash pooling.

Debt arising from financing obligations are distributed as follows:

For the long-term debt, the interest rate sensitivity in the Group amounts to about DKK 3 million when the interest rate changes by 1 percentage point.

Group, 2019	Beginning of year	Change in accounting policies	Cash flows	Acquisi- tions	Year end
Total liabilities from financing activities	545.2	0.0	-45.6	16.0	515.6
Group, 2018					
Total liabilities from financing activities	395.5	124.6	25.1	0.0	545.2
Parent Company, 2019					
Total liabilities from financing activities	946.9	0.0	-174.1	0.0	772.8
Parent Company, 2018					
Total liabilities from financing activities	788.5	105.4	53.0	0.0	946.9

Accounting policy

Other payables are measured at amortised cost.

The Group has entered into defined contribution plans with the majority of its employees. Obligations relating to defined contribution plans are recognised in the income statement over the period in which they are accumulated, and contributions payable are recognised in the balance sheet under other payables.

	Group		Parent Company	
DKK million	2019	2018	2019	2018
Accrued holiday pay	98.4	85.4	47.1	48.7
VAT payable	52.2	31.1	29.2	9.1
Payroll tax etc. payable	4.6	3.4	0.0	0.0
Other accrued expenses	159.1	122.2	101.7	84.6
Other payables	314.3	242.1	178.0	142.5

Let's go further

Accounting policy

Deferred income comprises payments received concerning income for subsequent financial years.

Deferred income is measured at cost.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Accrued customer payments	56.2	53.5	14.7	21.8
Other accruals	35.0	3.7	18.4	0.0
Deferred income	91.2	57.2	33.1	21.8

I millioner DKK	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
EG's rental obligations during the period of non-terminability fall due:				
Within 1 year	0.4	0.3	0.4	0.3
Between 1 and 5 years	0.0	0.3	0.0	0.3
After 5 years	0.0	0.0	0.0	0.0
Rental obligations	0.4	0.7	0.4	0.7
Bank guarantees and other guarantees	1.7	1.7	1.7	1.7
	2.1	2.4	2.1	2.4

EG is subject to the normal obligations resulting from the Company's terms of sale and delivery. There are no material risks connected to the terms of sale and delivery.

Subject to customary legal provisions, the Company acts as guarantor of loans for the group company Camelot Bidco ApS.

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income etc. The total amount of payable income tax is disclosed in the annual report of Camelot Holdco ApS, a management company in respect of the tax pool. The Group's Danish companies are also jointly and severally liable for Danish withholding taxes on dividends, royalties and interest. Any subsequent adjustments of income tax and withholding tax may result in an increase to the Company's liability.

As part of the settlement in 2017 regarding the KY project, a potential penalty of DKK 20.0 million may be payable if the project is delayed.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Adjustments on sold activities	-20.7	0.0	-57.0	0.0
Depreciations and amortisations	265.2	208.4	88.9	72.8
Profit/loss from sale of assets	-0.3	0.0	0.6	0.0
Currency adjustments etc.	4.3	0.3	-0.6	-0.1
Interest rate swap adjustments	0.0	2.6	0.0	2.6
Warrant adjustments	14.7	0.0	14.7	0.0
Total adjustments	263.3	211.3	46.6	75.3

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Change in inventories	-1.0	4.3	-1.5	3.9
Change in receivables	-64.1	105.8	-26.2	80.4
Change in current debt	-25.5	-10.4	-28.6	-16.1
Total changes in working capital	-90.7	99.7	-56.3	68.2

Accounting policy

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition or establishment, as appropriate. The date of acquisition is the date when control of the enterprise is actually obtained. Enterprises disposed of or wound up are recognised in the consolidated income statement until the date of disposal or winding up, as appropriate. The date of disposal is the date when control of the company actually passes to a third party. Comparative figures are not restated for newly acquired enterprises. Discontinued operations are presented separately (see below).

Acquisitions are accounted for by applying the purchase method, under which the identifiable assets, liabilities and contingent liabilities of the acquired enterprise are measured at fair value on the date of acquisition. Identifiable intangible assets are recognised if they can be separated or if they arise from a contractual right and the fair value can be reliably measured.

In connection with business combinations, any excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is *recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment annually. On acquisition, goodwill is allocated to the cash-generating units that will subsequently form the basis for impairment testing. Any negative difference is recognised in the income statement on the date of acquisition.*

The purchase consideration for an enterprise consists of the fair value of the agreed consideration in the form of assets transferred, liabilities asumed and equity instruments issued. If part of the consideration is contingent on future events occurring or on agreed conditions being met, that part of the consideration is recognised at fair value on the acquisition date. Expenses incurred during the year in connection with an acquisition are recognised in other external expenses.

Discontinued operations

Discontinued operations are significant business segments or geographical segments that have been sold or are held for sale pursuant to a single plan. Assets are classified as "held for sale" if their carrying amount will be recovered through a sale within 12 months in accordance with a formal plan rather than through continuing use.

The profit/loss from discontinued operations are presented as a separate income statement item comprising results of operations after tax of the operations in question and any gains or losses on fair value adjustment or sale of the assets and liabilities related to the operation.

Non-current assets and groups of assets held for sale, including assets related to discontinued operations, are presented separately as current assets in the balance sheet. Liabilities directly related to the assets and discontinued operations in question are presented as current liabilities in the balance sheet.

Non-current assets held for sale are not depreciated or amortised but are written down to the lower of fair value less expected costs to sell and carrying amount.

Divestment of operations and equity investments

In January 2019, the Group signed an agreement with DXC Technology A/S regarding the acquisition of the business segment relating to service activities. This operation was consequently reclassified to discontinued operations (assets held for sale) in 2018 and 2019, and its results of operations, balance sheet and cash flow effects are presented separately under the respective items.

In 2019 a loss from the divestment of DKK 5.7 million has been recognised in profit/loss from discontinued operations.

In 2018 the divestment gave rise to a DKK 45.5 million impairment loss on goodwill, recognised in profit/loss from discontinued operations.

Acquisition of operations and equity investments

EG's vision is to enable our customers to become industry leaders. In each of the markets we are active in, we want to provide the best solution and we want our customers to become the leaders within their industries. We do this by investing in our solutions, strengthening our software capabilities and acquiring companies or business activities that complement our offerings.

Three equity investments and one acquisition of operations were completed during the financial year. All of these acquisitions have strengthened EG's offerings in our existing vertical markets.

Lindbak AS

As of 1 June 2019, we acquired Lindbak Retail Systems, which is a leading supplier of retail solutions in both Norway and Sweden. The amounts of revenue and profit or loss of the company Lindbak Retail Systems acquired in 2019 since the acquisition date are included in the consolidated income statements for the reporting period with a revenue of DKK 102 million and profit after tax of DKK 11.9 million. Full year pro forma revenue was DKK 173.6 million and profit after tax was DKK 33.9 million.

Sonlinc A/S

We also strengthened our presence within the utility sector with the acquisition of the Danish software company Sonlinc as of 1 September 2019. The amounts of revenue and profit or loss of the company Sonlinc acquired in 2019 since the acquisition date are included in the consolidated income statements for the reporting period with a revenue of DKK 17.0 million and profit after tax of DKK -9.0 million. Full year pro forma revenue was DKK 51.0 million and a negative profit after tax of DKK 14.3 million.

Calwin A/S

The Danish software company Calwin A/S has a strong presence within the installation market. Calwin A/S was acquired on 1 October 2019. The amounts of revenue and profit or loss of the company Calwin acquired in 2019 since the acquisition date are included in the consolidated income statements for the reporting period with a revenue of DKK 4.9 million and profit after tax of DKK 0.5 million. Full year pro forma revenue was DKK 20.9 million and profit after tax was DKK 3.0 million.

CliniCare

The business Clinicare was acquired with effect from 1 January 2019. CliniCare sell software solutions to medical doctors and other healthcare clinics. The amounts of revenue and profit or loss of the CliniCare business acquired in 2019 since the acquisition date are included in the consolidated income statements for the reporting period with a revenue of DKK 10.3 million and profit after tax of DKK 1.9 million.

As no active market exists for the assets and liabilities acquired, especially in regard to intangible assets, management has estimated the fair value. The methods applied are based on present value of future cash flows calculated based on client contracts and other expected cash flows related to the assets.

Goodwill is attributable to a well-positioned software business and consist of skilled assembled workforces and buyer synergies which will add commercial and technical expertise and features when upgrading EG's product offerings.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Discontinued operations				
Revenue	105.1	738.9	66.4	518.9
Cost of sales	30.2	165.9	21.6	157.4
Staff cost	58.6	496.8	35.2	317.9
Other external costs	17.1	64.8	10.1	48.7
Special items	-19.9	-15.2	-5.3	-8.6
Depreciations and amortisations	7.9	124.0	6.4	101.4
Operating profit (EBIT)	**-28.6**	**-127.8**	**-12.2**	**-115.2**
Financial items	0.0	1.9	0.0	1.4
Profit before tax on discontinued activities	**-28.6**	**-129.7**	**-12.2**	**-116.6**
Tax on discontinued activities	15.1	14.0	17.0	11.2
Profit for the year after tax discontinued activities	**-43.7**	**-115.6**	**-29.2**	**-105.4**
Intangible assets	0.0	276.3	0.0	207.8
Tangible assets	0.0	77.4	0.0	59.6
Inventories	0.0	4.3	0.0	4.1
Receivables	0.0	137.1	0.0	78.3
Total assets held for sale	**0.0**	**495.1**	**0.0**	**349.7**
Deferred tax	0.0	42.6	0.0	30.2
Leasing liabilities	0.0	76.7	0.0	58.5
Contract liabilities	0.0	5.3	0.0	5.0
Trade payables	0.0	13.7	0.0	9.4
Other payables	0.0	120.4	0.0	78.5
Deferred income	0.0	20.8	0.0	18.5
Liabilities relating til assets held for sale	**0.0**	**279.5**	**0.0**	**200.1**
Cash flows from operating activities	-9.1	-28.9	-28.9	-33.8
Cash flows from investing activities	244.1	-4.1	244.1	-3.7
Cash flows from financing activities	0.0	-26.7	0.0	-16.9
Total cash flows	**235.0**	**-59.7**	**215.2**	**-54.4**

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Purchase of activity and share capital				
Intangible assets	30.0	0.0	30.0	0.0
Total acquisition value	30.0	0.0	30.0	0.0
Share capital in subsidiaries	474.3	0.0	141.2	5.6
Purchase of activity and share capital	504.3	0.0	171.2	5.6
Purchase of activity and share capital	504.3	0.0	171.2	5.6
Cash	31.5	0.0	29.6	0.0
Net assets acquired	535.8	0.0	200.8	5.6

During 2019 the EG Group purchased the following acquisitions. Details on the purchase consideration, the net assets acquired and goodwill are as follows:

DKK million	Purchase price
Goodwill	234.6
Other intangible assets	262.9
Other net assets	-23.2
Purchase of activity and share capital	474.3

The acquisition of Lindbak is the most material of the three acquired companies Lindbak AS, Sonlinc A/S and CalWin A/S. Acquisition-related costs are included in special items in the statement of profit or loss and in operating cash flows in the statement of cash flows. Goodwill is not amortised in the financial statements, while other intangible assets are amortised over 5-15 years.

Accounting policy

Cash, recognised under current assets, comprises bank deposits and is measured at fair value.

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Debt to banks, cf. the balance sheet (current)	0.0	50.7	556.8	465.5
Cash, cf. the balance sheet	140.8	38.1	649.6	37.3
Cash 31. december, net	140.8	-12.6	92.8	-428.2

DKK million	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Related party transactions				
Subsidiaries - Hardware	0.0	0.0	0.6	1.2
Subsidiaries - Services etc.	0.0	0.0	24.7	36.2
Sales to related parties	0.0	0.0	25.3	37.4
Subsidiaries - Services etc.	0.0	0.0	3.4	6.8
Purchases from related parties	0.0	0.0	3.4	6.8
Receivables from related parties, parent companies	0.0	0.0	0.2	0.0
Receivables from related parties, subsidiaries	0.0	0.0	320.5	327.6
Receivables from related parties	0.0	0.0	320.7	327.6
Related party debt, parent companies	697.7	496.7	626.4	496.7
Related party debt, subsidiaries	0.0	0.0	388.5	29.6
Related party debt	697.7	496.7	1,014.9	526.3

EG A/S has the following related party exercising control:

- AX IV EG Holding III ApS, Copenhagen.

Other related parties

The Group's related parties include subsidiaries and associates as well as their boards of directors, executive boards and executives and the family members of these persons.

Related parties also include companies in which the above-mentioned persons have significant interests.

The ultimate parent company is Lancelot Holdco Ltd., London. Transactions have been carried out on an arm's-length basis.

No other transactions were carried out during the year with members of the Board of Directors, the Executive Board, executives, major shareholders or any other related parties, with the exception of intra-group transactions eliminated in the consolidated financial statements and normal remuneration of management.

Transactions have been carried out on an arm's-length basis.

Let's go further

Accounting policy

Derivative financial instruments are recognised at the trade date and measured at fair value in the balance sheet. Positive and negative fair values are recognised in the balance sheet under other receivables and other payables respectively.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a hedge of future cash flows and effectively hedging changes in future cash flows are recognised in other comprehensive income and presented in a separate hedging reserve in equity until the hedged cash flows affect profit/loss. At this time, gains or losses regarding such hedging transactions are reclassified from other comprehensive income and recognised in the same item as the hedged item.

Credit risk

The Group is exposed to credit risk in connection with receivables and bank deposits. Cash and cash equivalents are not considered to be subject to significant credit risk, as the Group's bankers all have good credit ratings. The maximum credit risk corresponds to the carrying amount.

The company's receivables are from public customers and private companies that pose no greater risk than that normally associated with the granting of credit. Credit assessments are carried out for new customers and customers that have had difficulty settling their payment obligations. The Group regularly follows up on all receivables. The Group does not have significant risk exposure to any individual customer or business partner.

As was the case at 31 December 2018, the Group's loss allowances at 31 December 2019 related solely to financial assets classified as trade receivables.

Liquidity risk

The Group's financial resources consist of cash and committed credit facilities. The credit committed credit facilities will mature in 2026.

Group treasury monitors the available liquidity on the basis of expected cash flows with the aim to maintain sufficient cash and the availability of funding through an adequate amount of committed credit facilities. For the optimization and centralisation of cash management the Group uses cash pools.

Currency risk

Invoicing by Danish Group companies to customers in and outside Denmark is generally denominated in DKK. Invoicing by Swedish and Norwegian Group companies is generally denominated in SEK and NOK respectively. Currency risk in relation to receivables is considered to be immaterial.

Purchases of services outside Denmark are denominated in foreign currency, primarily EUR. Currency risk in relation to purchases of goods and services is considered immaterial.

The Group's currency risk furthermore comprises receivables/payables, cash and cash equivalents and net investments in foreign subsidiaries, amounting to NOK 40 million, SEK 35 million and USD 3 million respectively. EG does not use financial contracts to hedge currency risks.

The parent company's currency risk furthermore comprises receivables/payables, cash and cash equivalents and investments in foreign subsidiaries, amounting to NOK -28 million, SEK -24 million, EUR -1 million and USD 3 million respectively. EG does not use financial contracts to hedge currency risks.

Interest rate risk

Interest rate risk mainly relates to interest-bearing debt and cash. To minimise both interest and related risks, the Group has entered into cash pooling and interest netting agreements with its bankers. EG Group has variable interest expenses and is financed with a floating CIBOR rate combined with a fixed margin depending on the credit facility.

Capital management

On an ongoing basis, the Group assesses the need for adjustment of the capital structure to balance the higher required rate of return on equity against the increased uncertainty related to loan capital.

Dividends are determined based on EG's wish to maintain sufficient liquidity at all times to meet potential demands and with due consideration for optimising the returns of EG and its parent company.

Fair value equals book value, with the exception of debtors for which fair value is the gross value less loss allowances.

Maturity overview, Group, DKK million

31 December 2019	0-1 year	1-2 years	2-5 years	> 5 years	Total
Debt to banks excl. borrowing costs and incl. Interest	22.4	22.4	67.3	381.1	493.2
Lease liabilities	48.4	34.6	76.5	30.5	190.0
Payables to group entities	697.7	0.0	0.0	0.0	697.7
Trade payables	84.1	0.0	0.0	0.0	84.1
Contract liabilities	30.1	0.0	0.0	0.0	30.1
Other payables	314.3	0.0	0.0	0.0	314.3
Financial liabilities	1,197.0	57.0	143.8	411.6	1,809.4
Cash	140.8	0.0	0.0	0.0	140.8
Trade receivables before provisions	228.4	0.0	0.0	0.0	228.4
Contract work in progress	47.5	0.0	0.0	0.0	47.5
Other receivables	75.6	0.0	0.0	0.0	75.6
Financial assets	492.3	0.0	0.0	0.0	492.3
Net	704.7	57.0	143.8	411.6	1,317.1

Maturity overview, Group, DKK million

31 December 2018	0-1 year	1-2 years	2-5 years	> 5 years	Total
Bond loans excl. borrowing costs and incl. Interest	66.7	408.0	0.0	0.0	474.7
Lease liabilities	21.2	15.8	33.5	24.1	94.6
Payables to group entities	496.7	0.0	0.0	0.0	496.7
Trade payables	126.5	0.0	0.0	0.0	126.5
Contract liabilities	9.8	0.0	0.0	0.0	9.8
Other payables	242.1	0.0	0.0	0.0	242.1
Financial liabilities	963.0	423.8	33.5	24.1	1,444.4
Cash	38.1	0.0	0.0	0.0	38.1
Trade receivables before provisions	172.0	0.0	0.0	0.0	172.0
Contract work in progress	23.2	0.0	0.0	0.0	23.2
Other receivables	38.7	0.0	0.0	0.0	38.7
Financial assets	272.0	0.0	0.0	0.0	272.0
Net	691.0	423.8	33.5	24.1	1,172.4

Maturity overview, Parent Company, DKK million

31 December 2019	0-1 year	1-2 years	2-5 years	> 5 years	Total
Debt to banks excl. borrowing costs and incl. Interest	561.6	4.9	14.6	84.0	665.1
Lease liabilities	31.6	25.7	69.8	30.5	157.6
Payables to group entities	1,014.9	0.0	0.0	0.0	1,014.9
Trade payables	45.8	0.0	0.0	0.0	45.8
Contract liabilities	3.6	0.0	0.0	0.0	3.6
Other payables	178.0	0.0	0.0	0.0	178.0
Financial liabilities	1,835.5	30.6	84.4	114.5	2,065.0
Cash	649.6	0.0	0.0	0.0	649.6
Trade receivables before provisions	98.4	0.0	0.0	0.0	98.4
Contract work in progress	4.8	0.0	0.0	0.0	4.8
Other receivables from related parties	320.7	0.0	0.0	0.0	320.7
Other receivables	40.0	0.0	0.0	0.0	40.0
Financial assets	1,113.5	0.0	0.0	0.0	1,113.5
Net	721.8	30.6	84.4	114.5	951.3

Let's go further

Maturity overview, Parent Company, DKK million

31. december 2018	0-1 year	1-2 years	2-5 years	> 5 years	Total
Bond loans excl. borrowing costs and incl. Interest	481.5	408.0	0.0	0.0	889.5
Debt to banks excl. borrowing costs and incl. Interest	16.7	11.5	29.3	23.9	81.4
Payables to group entities	526.3	0.0	0.0	0.0	526.3
Trade payables	74.9	0.0	0.0	0.0	74.9
Contract liabilities	3.1	0.0	0.0	0.0	3.1
Other payables	142.5	0.0	0.0	0.0	142.5
Financial liabilities	1,244.9	419.5	29.3	23.9	1,717.6
Cash	37.3	0.0	0.0	0.0	37.3
Trade receivables before provisions	70.7	0.0	0.0	0.0	70.7
Contract work in progress	7.0	0.0	0.0	0.0	7.0
Other receivables from related parties	327.6	0.0	0.0	0.0	327.6
Other receivables	20.1	0.0	0.0	0.0	20.1
Financial assets	462.6	0.0	0.0	0.0	462.6
Net	782.3	419.5	29.3	23.9	1,255.0

Maturity and interest rate risk

Group	0-1 year	1-5 years	> 5 years	Nominal interest rate, pct.
Cash	140.8	0.0	0.0	0-2
Debt to banks excl. borrowing costs and incl. Interest	-22.4	-89.7	-381.1	3-7
Lease liabilities	-48.4	-111.1	-30.5	3-4
Total interest-bearing assets and liabilities, net	70.0	-200.8	-411.6	

Parent Company	0-1 year	1-5 years	> 5 years	Nominal interest rate, pct.
Cash	649.6	0.0	0.0	0-2
Debt to banks excl. borrowing costs and incl. Interest	-561.6	-19.5	-84.0	3-7
Lease liabilities	-31.6	-95.5	-30.5	3-4
Total interest-bearing assets and liabilities, net	56.4	-115.0	-114.5	

	Calculating principal	Value adjustment recognized in equity	Fair value	Remaining maturity (months)
Group, 2019				
Interest rate risks Interest rate swaps	0.0	0.0	0.0	0
Group, 2018				
Interest rate risks Interest rate swaps	0.0	2.6	0.0	0
Parent Company, 2019				
Interest rate risks Interest rate swaps	0.0	0.0	0.0	0
Parent Company, 2018				
Interest rate risks Interest rate swaps	0.0	2.6	0.0	0

The hedged cash flows are expected to be realised and will affect profit/loss over the remaining life of the interest rate swap.

DKK million				Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Bank debt				345.0	450.7	631.8	865.5
Leasing liabilities				170.7	94.6	139.7	81.4
				515.7	545.2	771.5	946.9
Carrying amount:							
Type	Loan	Maturity	Eff. interest				
Bank debt, fixed	DKK	2026	6.5%	345.0	400.0	75.0	400.0
Bank debt, floating (Cash pool)	DKK	-	-	0.0	50.7	556.8	465.5
Leasing, floating	DKK	2020-28	3-4%	170.7	94.6	139.7	81.4
				515.7	545.2	771.5	946.9
Of the total debt are due:							
0-1 year				42.5	71.9	583.3	482.1
1-5 years				99.1	449.3	84.1	440.8
> 5 years				374.1	24.1	104.1	23.9
				515.7	545.2	771.5	946.9

To attract and retain Executive Board members and other executives, these persons have been offered compensation based on their competences, job functions and value creation, as is the case in peer companies. A group of executives has been given the opportunity to participate in a share investment programme in the ultimate parent company Lancelot Holdco Ltd aimed at aligning the Executive Board's and shareholders' short- and long-term interests. Moreover, a group of executives has joined a warrant programme.

The warrant programme is an equity-based scheme established in 2019. The vesting period is up to 48 months. The vesting period is 31 May 2019 – 31 May 2023. The program comprises 9,504,584 time vesting warrants and 8,393,376 performance vesting warrants. The time vesting program will vest if the employee remains with the company. The performance vesting program is subject to vesting based on value achieved by Investor at exit.

The value of warrants is determined using the Black-Scholes formula.

The total fair value of warrants granted in 2019 was DKK 55 million. The previous warrant program was settled in cash in 2019.

The valuation is based on the following assumptions:

- Expected volatility: 48.0% (based on a peer group analysis)
- Risk-free interest rate: -0.56%
- Market value at issue date: DKK 8.92
- Exercise price: DKK 8.92
- Term to expiry at issue date: 4 years
- 25% of the time share program vest on first anniversary, and 2.083% monthly thereafter.

Number of outstanding/granted warrants:	Warrants
1 Januar 2018	12,259,017
Granted in 2018	1,729,050
Exercised in 2018	-115,715
31 December 2018	13,872,352
Granted in 2019	17,897,960
Exercised in 2019	-13,872,352
31 December 2019	17,897,960

	35 38 11 39	DK			
EG A/S	84 66 78 11	DK	AX IV EG Holding III ApS	100%	100%
EG Norge AS	983 781 233	NO	EG A/S	100%	100%
Lindbak Retail Systems AS	968 992 600	NO	EG Norge AS	100%	100%
Lindbak Retail Systems AB	556 484-9965	SE	Lindbak Retail Systems AS	100%	100%
EG Sverige AB	556 164-5648	SE	EG A/S	100%	100%
Dynaway A/S	25 30 91 03	DK	EG A/S	100%	100%
IT Minds ApS	32 93 96 35	DK	EG A/S	100%	100%
EG Hairtools ApS	26 25 51 93	DK	EG A/S	100%	100%
Digital Welfare ApS	27 72 01 02	DK	EG A/S	100%	100%
AX IV SD Holding ApS	25 45 03 61	DK	EG A/S	100%	100%
AX IV SD Holding II ApS	25 45 53 71	DK	AX IV SD Holding ApS	100%	100%
Silkeborg Data A/S	10 42 53 79	DK	AX IV SD Holding II ApS	100%	100%
Notaplan AS	977 082 404	NO	EG A/S	100%	100%
CodeZoo ApS	36 19 78 89	DK	EG A/S	100%	100%
Xena ApS	34 08 06 31	DK	EG A/S	100%	100%
Sonlinc A/S	14 31 47 09	DK	EG A/S	100%	100%
Calwin A/S	19 44 33 45	DK	EG A/S	100 %	100 %
Florainfor ApS	26 03 05 36	DK	EG A/S	14.18%	14.18%

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	Operating profit/loss before depreciation and amortisation.
EBITA (Earnings Before Interest, Tax and Amortisation)	Operating profit/loss before amortisation (amortisation of intangible assets acquired through company acquisitions or business takeovers).
Net working capital	Goods for resale + trade receivables + contract work in progress - trade payables.
Net interest-bearing debt	Debt to banks + employee bonds - cash.
Revenue change	Percentage change in revenue relative to previous year.
Return on equity (ROE)	Profit/loss for the year as a percentage of equity at 31 December the previous year.
Equity ratio	Equity as a percentage of total assets.
Number of employees	Average full time equivalent employees during the reporting period.