Annual report for 2021

EG Danmark A/S
Lautrupvang 24
2750 Ballerup

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 30 June 2022.

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Henrik Hansen

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MANAGEMENT REVIEW

About EG

EG Danmark A/S is a part of EG. EG Danmark A/S is the primary administrative operating unit in EG and contains the largest part of all group functions within EG.

Due to reverse mergers performed in 2020, EG Danmark A/S contains the intangible assets related to Francisco Partners' purchase of EG in 2019. The amortisation of these intangible assets affects 2021 by DKK 99 million.

EG Danmark A/S has recognised special item costs related to developing and implementing the EG Common Operating Model amounting to DKK 121 million in 2021 to the benefit of all of EG.

Please refer to the consolidated annual report of EG A/S for EG's performance.

EG is a market leading vendor of industry-specific, standard software for private and public customers in the Nordics. Software-as-a-Service offerings are developed by specialists with deep industry and domain knowledge, supportering business-critical and administrative processes. EG employs 1,600+ people primarily in the Nordics.

Read more about EG at www.global.eg.dk.

Strategic objectives

As part of EG, EG Danmark A/S' strategic objectives is communicated and in line with those of the annual report for EG, which is found in the consolidated annual report for EG A/S.

Financial highlights and ratios

DKK million	2021	2020	2019	2018	2017
Income statement					
Revenue	651	570	540	464	384
EBITDA	167	158	164	174	(95)
Net financials	(60)	(206)	(224)	(173)	(143)
Profit for the year from continuing operations	(100)	(252)	(298)	(132)	(285)
Profit for the year	(34)	(252)	(327)	(237)	(329)
Balance sheet					
Total assets	5.555	5.469	5.061	3.419	3.500
Equity	3.726	3.867	247	113	261
Cash flow					
Free cash flow	(222)	2	519	(220)	13
Investments					
Property, plant and equipment	15	10	3	14	12
Financial ratios					
Revenue Growth *	14%	6%	16%	21%	-61%
EBITDA margin	26%	28%	30%	38%	-25%
Equity ratio	67%	71%	5%	3%	7%
Average numbers of employees	579	529	561	534	579

MANAGEMENT REVIEW

Financial highlights and ratios (continued)

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 81 million is mainly driven by mergers.
- EBITDA improvement before special items, continuing operations of DKK 9 million, driven by an increase in revenue and impacted negatively by increase of other external expenses.

EG Danmark A/S is continuously working to simplify its ownership structure of subsidiaries and create synergies to improve efficiency within the administrative functions. The following subsidiaries was during 2021 merged into EG Danmark A/S:

- AX IV SD Holding ApS
- Prosedo ApS
- A-Data A/S
- PM El-Beregning ApS
- SonLinc A/S
- Aver & Lauritzen ApS

Revenue
Revenue amounted to DKK 651 million (DKK 570 million in 2020), corresponding to an increase of 14.2 % which primarily was driven by mergers and acquisitions.

Earnings performance, EBITDA
EG Danmark A/S' reported EBITDA before special items for 2020 constitutes at DKK 167 million against DKK 158 million in 2020.

EBITDA before special items constitutes 25.8 % of revenue against 27.7 % in 2020.

Special items amounted to DKK 179 million and included costs related to supporting the ongoing transformation compared to DKK 102 million in 2020.

Earnings performance, EBIT
In 2020, EG Danmark A/S realised an EBIT before special items of DKK (22) million, up from a loss of DKK (37) million in 2020.

Tax on profit/loss for the year
Tax on profit for the year comprises current tax of DKK 5 million, adjustment of tax for previous years of DKK 12 million and changes in deferred tax of DKK 32 million. Tax on profit for the year thus amounts to DKK 49 million versus DKK 34 million in 2020. The effective tax rate ended at 33 %, up from 12 % in 2020.

Profit/loss for the year
Loss from continuing operations for the year amounted to a loss of DKK (100) million against a loss of DKK (252) million in 2020. The development was driven by increase in share of profit from subsidiaries, decrease in finance costs following transfer of borrowings in 2020.

Cash flows
Cash flow from operating activities amounted to DKK (176) million, compared with DKK 220 million in 2020. Adjusted for special items cash flow from operating activities before net financials amounted to DKK 70 million, compared with DKK 322 million in 2020.

The net working capital (as defined in note 25) amounted to DKK (214) million against DKK 155 million in 2020. The decrease in cash flow from net working capital primarily relates to increase in trade receivables. The increase in receivables from group companies can be netted with the increase in payables to group companies.

MANAGEMENT REVIEW

Financial highlights and ratios (continued)

Cash flows from investing activities totalled an inflow of DKK 195 million against outflows of DKK 709 million in 2020. Investments are primarily from acquisitions and intangible assets (see Research and development activity below).
Cash flows from divestments were an inflow of DKK 103 million related to divestment of IT Minds ApS.

Cash flows from financing activities totalled an outflow of DKK 241 million against inflow of DKK 491 million in 2020. The inflow related to group contributions and financing from the parent company in 2020 while the outflow in 2021 relates to paid dividends.

Total cash flows were an outflow of DKK 222 million compared with an inflow of DKK 2 million in 2020, which is a combination of negative cash flows from operations, net inflow from acquisitions and divestments and outflow from financing activities.

Balance sheet

At 31 December 2021, total assets amounted to DKK 5,555 million (2020: DKK 5,469 million).

Equity

At 31 December 2021, equity stood at DKK 3,726 million (2020: DKK 3,867 million). Movement for the year besides distribution of total comprehensive income for the year relates to paid out dividend of DKK 300 million and received group contributions and share based payments of DKK 161 million.

Total profit/loss for the year

The financial results for 2021 are characterised by earnings driven by growth from acquisitions and the transformation of EG by refocusing on own vertical solutions. Management is satisfied that the transformation and refocus of EG in combination with acquisitions and maintaining the high productivity had the intended financial effect.

Research and development activity

As part of the Group strategy to strengthen the product portfolio and internal systems, investments in intangible assets came to DKK 31 (DKK 152 million including intangibles from acquisitions) against DKK 53 million (DKK 150 million including intangibles from acquisitions) in 2020. The Company's investments in intangible assets included mainly proprietary software and solutions that will contribute to increasing the Company's future recurring revenue and earnings.

Looking back at 2021

Overall, looking back at 2021, Management is satisfied with the performance and result of EG Danmark A/S.

Outlook

EG Denmark A/S has positive financial expectations for 2022 and predicts a year of continued high growth and strengthening of the company's leading marked position. Overall, single-digit revenue growth in line with the 2021 growth level is expected to be driven by continued growth in subsciptions-based revenue. Further, it is expected that the reported EBITDA margin will be on the same level as realised in 2021.

MANAGEMENT REVIEW

Financial highlights and ratios (continued)

Events after the balance sheet date
Subsequent to the balance sheet date, EG Danmark A/S has had the below mentioned fully owned subsidiaries merge into EG Danmark A/S:

- Aver & Laurtizen A/S
- Capto A/S

EG Danmark A/S has published plans to have the fully owned subsidiary Silkeborg Data A/S merge into EG Danmark A/S.

Furthermore, subsequently to the balance sheet date, EG Danmark A/S has acquired the following businesses:

- Ajour System A/S
- Vitani Energy Systems A/S

No other significant events have occurred after the end of the financial year that affect the 2021 financial statements.

ESG

EG Danmark A/S is a part of EG, which is a leading vertical software group with both public and private customers and has a substantial impact on the surrounding world.

Customers, employees, investors, and society at large depend on EG to balance the interests of all stakeholders. EG takes corporate responsibility seriously and it is integrated into the way EG makes decisions and does business.

EG's policies, commitments, and goals relating to ESG is found in EG's annual report in the consolidated annual report of EG A/S.

Risk management

As part of EG, EG Danmark A/S has implemented and adopted EG's risk management model, which is found in the EG annual report in the consolidated annual report for EG A/S.

For financial risk refer to note 27 Financial risk management.

DIRECTORSHIPS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

Board of Directors

Mikkel Bardram

Personal and educational background

Born 1976. Danish citizen. Mikkel Bardram holds a Master of Science in International Marketing and Management from Copenhagen Business School.

Career and directorships

Member of the Board of Directors of the Company since 29 June 2022. Mikkel Bardram has held the position of Chief Executive Officer in EG Danmark A/S for 6 years. Mikkel Bardram does not hold any positions as member of a Board of Directors outside of EG.

Prior to EG, Mikkel was CEO of Satair Group SAS, where he worked in different roles over 10 years. He has also worked as a management consultant with McKinsey & Company and as a SAP consultant with IBM Global Services and in Novozymes IT.

Independence

Not regarded as independent.

Sune Albert

Personal and educational background

Born 1981. Danish Citizen. Sune Albert holds a Master of Laws from Aarhus University and is appointed Attorney at Law.

Career and directorships

Member of the Board of Directors of the Company since 29 June 2022. Sune Albert has been employed in EG Danmark A/S since 2020. Sune Albert does not hold any positions as member of a Board of Directors outside of EG.

Prior to EG, Sune was Head of Legal Counsel in KMD's Group Legal department where he worked for 8 years. Previous to KMD, Sune worked as an Attorney at Law at a law firm in Denmark.

Independence

Not regarded as independent.

Henrik Hansen

Personal and educational background

Born 1974. Danish citizen. Henrik Hansen holds a Master of Science in Finance and Accounting from Copenhagen Business School.

Career and directorships

Member of the Board of Directors of the Company since 29 June 2022. Henrik Hansen has held the position of Chief Financial Officer in EG Danmark A/S for 5 years. Henrik Hansen does not hold any positions as member of a Board of Directors outside of EG.

Prior to EG, Henrik was Group CFO with Icopal Group where he worked 11 years. Henrik was at Icopal also expatriated for more than four years as Regional CFO in Germany before joining the Icopal Executive Management team. Precious to Icopal, Henrik held finance position within Treasury Management at TDC and the Supply Chain area at Novozymes.

Independence

Not regarded as independent.

Executive Board

Johnny Iversen

Executive Vice President, EG

Michael Moyell Juul

Executive Vice President, EG

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

ENDORSEMENTS

Management's statement

The Board of Directors and Executive Board have today considered and adopted the Annual Report of EG Danmark A/S for the financial year 1 January – 31 December 2021.

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 Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the operations for 2021.

In our opinion, the Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

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

Ballerup, 30 June 2022

Executive Board

Johnny Iversen

Michael Moyell Juul

Board of Directors

Mikkel Bardram

Henrik Hansen

Sune Albert

ENDORSEMENTS

Independent auditor's report

To the Shareholder of EG Danmark A/S

Opinion

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

We have audited the Financial Statements of EG Danmark A/S for the financial year 1 January - 31 December 2021, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of 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.

ENDORSEMENTS

Independent auditor's report (continued)

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or 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 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 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 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.

ENDORSEMENTS

Independent auditor's report (continued)

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, 30 June 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Claus Lindholm Jacobsen
State Authorised Public Accountant
mne23328

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

FINANCIAL STATEMENTS

Statement of comprehensive income

Note	DKK million	2021	2020
7	Revenue	651	570
	Costs of providing services	74	68
8	Staff costs	369	325
	Other operating expenses	61	34
	Other operating income	20	15
	EBITDA	167	158
	Depreciation, amortisation and impairment	76	81
	Acquisition related amortisations	113	114
9	Special items	179	102
	EBIT	(201)	(139)
10	Share of profit/loss after tax of investments in subsidiaries	112	59
11	Finance income	18	61
11	Finance costs	78	267
	Profit/(Loss) before tax	(149)	(286)
12	Income tax	49	34
	Profit/(Loss) from continuing operations	(100)	(252)
	Profit/(Loss) from discontinued operations	66	-
	Profit/(Loss) for the year	(34)	(252)
	Other comprehensive income		
	Items that may be reclassified to profit or loss in subsequent periods:		
	Exchange differences on translation of foreign subsidiaries	32	(13)
	Other comprehensive income	32	(13)
	Total comprehensive income for the year, net of tax	(2)	(265)

FINANCIAL STATEMENTS

Balance sheet

Note	DKK million	2021	2020
	ASSETS		
14	Intangible assets	3.396	3.400
15	Property, plant and equipment	18	18
15	Right-of-use assets	83	86
10	Investment in subsidiaries	1.517	1.555
	Non-current assets	5.014	5.059
	Inventory	3	2
16	Trade and other receivables	159	91
17	Contract assets	13	4
	Receivables from group companies	340	140
	Prepayments	20	18
12	Income tax receivable	5	22
	Cash and cash equivalents	1	95
	Assets held for sale	-	38
	Current assets	541	410
	Total assets	5.555	5.469
	EQUITY AND LIABILITIES		
18	Share capital	71	71
	Translation reserve	17	(15)
	Reserve for development projects	95	82
	Retained earnings	3.218	3.429
	Proposed dividends	325	300
	Total equity	3.726	3.867
12	Deferred tax liabilities	206	230
19	Borrowings	374	355
19	Lease liabilities	69	85
	Non-current liabilities	649	670
19	Bank loans	128	-
19	Lease liabilities	21	12
17	Contract liabilities	9	1
	Trade and other payables	134	69
	Payables to group companies	698	592
20	Other liabilities	158	240
21	Deferred income	15	18
	Liabilities relating to assets held for sale	17	-
	Current liabilities	1.180	932
	Equity and liabilities	5.555	5.469

FINANCIAL STATEMENTS

Statement of changes in equity

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.

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.

DKK million	**Share capital**	**Translation reserve**	**Res. for dev. proj.**	**Retained earnings**	**Proposed dividends**	**Total**
Equity at 1 January 2021	**71**	**(15)**	**82**	**3.386**	**300**	**3.824**
Change of interpretation of accounting policy	-	-	-	(15)	-	(15)
Adjustments to prior year	-	-	-	58	-	58
New equity at 1 January 2021	**71**	**(15)**	**82**	**3.429**	**300**	**3.867**
Total comprehensive income for the year	-	32	13	(372)	325	(2)
Paid out dividend	-	-	-	-	(300)	(300)
Group contribution	-	-	-	131	-	131
Share based payment	-	-	-	30	-	30
Equity at 31 December 2021	**71**	**17**	**95**	**3.218**	**325**	**3.726**
Equity at 1 January 2020	**71**	**(2)**	**54**	**125**	**-**	**248**
Transfer from merger	-	-	-	1.175	-	1.175
Adjustment to transfer from merger	-	-	-	(172)	-	(172)
Total comprehensive income for the year	-	(13)	28	(654)	374	(265)
Other adjustments	-	-	-	6	-	6
Paid extraordinary dividend	-	-	-	-	(74)	(74)
Group contribution	-	-	-	2.926	-	2.926
Share based payment	-	-	-	23	-	23
Equity at 31 December 2020	**71**	**(15)**	**82**	**3.429**	**300**	**3.867**

FINANCIAL STATEMENTS

Statement of cash flows

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.

FINANCIAL STATEMENTS

Statement of cash flows (continued)

Note	DKK million	2021	2020
	Cash flow from operating activities		
	EBITDA	167	158
24	Adjustments	(149)	(83)
25	Change in working capital	(214)	155
	Income tax paid	20	(10)
	Cash flow from operating activities, continuing operations	(176)	220
	Cash flow from investing activities		
	Purchase of intangible assets and property, plant and equipment	(46)	(97)
	Sale of property, plant and equipment	-	5
	Acquisitions	(162)	(696)
	Divestments	103	-
	Dividend from investments	300	79
	Cash flow from investing activities, continuing operations	195	(709)
	Cash flow from financing activities		
	Proceeds from non-current borrowings	-	280
	Interest received	18	61
	Interest paid	(64)	(307)
	Repayment of lease liabilities	(26)	(27)
	Group contributions	131	558
	Paid out dividend	(300)	(74)
	Cash flow from financing activities, continuing operations	(241)	491
	Change in cash flow for the year	(222)	2
	Cash and cash equivalents at 1 January	95	93
	Effects of exchange rate changes of cash and cash equivalents	-	-
	Cash and cash equivalents at 31 December, continuing operations	(127)	95

Let's go further

NOTES

NOTES

Note 1 – General accounting policies

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 Danmark A/S is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU additional Danish disclosure requirements for the financial statements of reporting class C (Large) enterprises, cf. the Danish Executive Order on Adoption of IFRSs issued pursuant to the Danish Financial Statements Act.

In accordance with the exemptions of IFRS 10, EG Danmark A/S has not prepared consolidated financial statements. The annual report of EG Danmark A/S and subsidiaries is included in the consolidated financial statements of EG A/S, Ballerup, CVR-no. 40 40 60 93.

The annual report is presented in Danish kroner (DKK), which is 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.

Translation of amounts in foreign currencies

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.

Cost of sales

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

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 Company.

Receivables

Other receivables 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.

NOTES

Note 1 – General accounting policies (continued)

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

Note 2 – Amended standards and accounting policies

Implementation of new and amended standards and interpretations

The Company has applied the following amendments as of 1 January 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest rate benchmark reform – Phase 2

The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- New Agenda desicion regarding Cloud computing capitali-sation:

Since the IFRIC agenda decision regarding account for cost relating to Software as a Service (SaaS), EG has done a reevaluation of accounting principles and policies to incorporate these clarifications and decisions set out. Based on this reevaluation EG has changed its development projects in progress regarding our ERP project by DKK 19 million. Changes in the disclosures due to change in account policy is represented as a single line “change in account policy”.

Comparative figures for development in progress, specialitems, deferred tax, tax for the year and equity have been restated with DKK 19 million.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by EG. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 3 – Effect of mergers

In 2021 EG Danmark A/S mergered as the continuing entity with the following fully owned subsidiaries:

- Sonlinc A/S
- A-Data A/S
- Prosedo ApS
- AX IV SD Holding ApS
- FrontAvenue A/S
- PM El-Beregning ApS
- Kalkiatec. ApS

Changes in the disclosures due to the mergers is represented as a single line “Transfer from merger” or “Adjustment regarding merger”. The effect from the mergers is shown in the table below:

NOTES

Note 3 – Effect of mergers (continued)

DKK million	EG Danmark opening 31 December 2020	Effect from mergers	EG new balances 1 January 2021
Intangible assets	3.195	205	3.400
Tangible assets	102	2	104
Investment in subsidiaries	1.430	125	1.555
Inventory	2	-	2
Trade and other receivables	83	8	91
Contract assets	3	1	4
Receivables from group companies	458	(318)	140
Prepayments	18	-	18
Income tax receivable	18	4	22
Cash and cash equivalents	79	16	95
Assets held for sale	38	-	38
Total assets	**5.426**	**43**	**5.469**
Equity	3.867	-	3.867
Deferred tax liabilities	198	32	230
Borrowings	355	-	355
Lease liabilities	96	1	97
Contract liabilities	1	-	1
Trade and other payables	67	2	69
Payables to group companies	600	(8)	592
Other liabilities	224	16	240
Deferred income	18	-	18
Total equity and liabilities	**5.426**	**43**	**5.469**

Note 4 – Use of estimates, assumptions, and judgements in determining accounting policies

The preparation of EG Danmark 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:

NOTES

Note 4 – Use of estimates, assumptions, and judgements in determining accounting policies (continued)

Determining revenue for completion of implementation projects recognised over time
Revenue recognised over time is determined based on estimates and assumptions regarding remaining labour hours to complete the project.

Management's estimates and assumptions are based on individual assessments of specific projects and follow-up to identify any eviations. The results of the individual assessments and follow-up are also used to estimate expected credit losses on projects.

Share based payment
Management makes estimates of the fair value. The fair value of time-vesting and performance warrants is determined using the methodology set out in the accounting policy by using known models and simulations to estimate the fair value.

Deferred tax
Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Judgement is based on factors such as historical profits and approved budgets.

Mergers
The most significant acquired assets comprise goodwill, brands, customer agreements and portfolios and technology. As no active market exists for the acquired assets, liabilities, and contingent liabilities, especially for intangible assets, Management makes estimates of the fair value. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The value of brands and their expected useful life are assessed based on the individual brand's market position, expected market development and profitability. Brands are measured using the relief from royalty method, which calculates the fair value based on the hypothetical royalty payments that would be saved by owning the asset rather than licensing it. The expected future cash flows have a budgeted period of 5-12 years.

As with brands, the value of acquired technology is measured using the relief from royalty method and has a budgeted period of 5-12 years for expected future cash flows.

The value of acquired customer agreements and portfolios is assessed based on local market and trading conditions. In addition, the value is assessed based on a survivor curve to indicate the number customers who were present on the acquisition date are expected to be present over a given time frame. Expected future cash flows are budgeted based on the churn rate.

In addition to the above common and individual characteristics for calculating future cash flows, the following key parameters are used as a basis:

- Revenue growth
- EBITDA
- Future capital expenditure
- Growth expectation beyond the budgeted cash flows
- Customer loyalty
- Royalty rate (brands and technology)
- A post-tax discounting factor of weighted average cost of capital (WACC)

NOTES

Note 4 – Use of estimates, assumptions, and judgements in determining accounting policies (continued)

Intangible assets
Management makes estimates when assessing impairment. Impairment is performed on the expected performance of the relevant CGU in future years, based on future budgets and business plans to calculate the value of the CGU based on the present value of future cash flows.

Property, plant and equipment and leases
EG determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

EG has several lease contracts that include extension and termination options. EG applies judgement in evaluating whether it is reasonably certain that the option to renew or terminate the lease would be exercised or not. EG considers all relevant factors that create an economic incentive for it to exercise or terminate the lease. After the commencement date, EG reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Note 5 – Subsequent events

No significant events have occurred after the end of the financial year that affect the 2021 financial statements.

Business combinations
Subsequent to the balance sheet date, EG Danmark A/S has had the below mentioned fully owned subsidiaries merge into EG Danmark A/S:

- Aver & Laurtizen A/S
- Capto A/S

EG Danmark A/S has published plans to have the fully owned subsidiary Silkeborg Data A/S merge into EG Danmark A/S.

Furthermore, subsequently to the balance sheet date, EG Danmark A/S has acquired the following businesses:

- Ajour System A/S
- Vitani Energy Systems A/S

NOTES

Note 6 – Segment information

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Management. As a private equity controlled company, the Board plays a significant role in the operating decisions of EG. Consequently, the chief operating decision maker is considered to consist of the Board in combination with Executive Management.

The accounting policies of the reported segments are the same as EG's accounting policies described throughout the notes. Segment reporting is prepared in accordance with EG's internal management and reporting structure.

Revenue from transactions with other operating segments is considered insignificant and thus not disclosed separately. Special items are managed and disclosed at group level. Information about depreciations, amortisations, income taxes, assets, liabilities and additions to assets by segment are not provided in the reporting to the chief operating decision maker and thus not disclosed.

Description of segments and principal activities
EG is one of the leading vendors in the Nordic vertical software market. EG's revenue arises primarily from subscription income (SaaS), sales of licences of EG's own software and related configuration and installation services.

Operations are generally managed and organised based on divisions and business units. For segment reporting purpose, divisions have been identified based on aggregating business units that share similar characteristics in terms of both long-term financial performance and nature.

In terms of the nature of products and services, similarities are reflected in revenue where subscription revenue constitutes more than 70% in both aggregated divisions, Public and Private respectively, where Private comprises of two aggregated operational segments. In addition, the aggregated divisions provide industry-specific software solutions for niche markets in which they both are one of the market leaders in the respective industries they serve. In terms of development processes, the aggregated divisions are working based on a next generation agile framework for software development. Also, the aggregated divisions have similar delivery models to customers with cloud-based subscription solutions. Finally, the aggregated divisions provide solutions for different types of private customers.

Based on the internal structure and reporting, the Executive Management considers the two divisions Public and Private to be EG's operating segments. Executive Management governs on divisional level which is why these are considered EG's operating segments.

EBITDA as a profit measure
EG uses earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments. Therefore, EBITDA is used as the profit measure. EBITDA excludes discontinued operations.

DKK million	**2021**	**2020**
Public	20	21
Private	147	137
EBITDA	**167**	**158**

NOTES

Note 6 – Segment information (continued)

Reconciliation to operating profit before tax

EBITDA	167	158
Depreciation, amortisation, and impairment	(76)	(81)
Acquisition-related amortisations	(113)	(126)
Special items	(179)	(102)
Share of profit/loss after tax of investments in subsidiaries	112	71
Finance costs, net	(60)	(206)
Profit/(Loss) before tax	**(149)**	**(286)**

Non-current assets
The total of non-current assets by location of assets is shown below:

Denmark (country of domicile)	4.268	4.473
Sweden	57	45
Norway	679	569
Other	10	-
Total	**5.014**	**5.087**

Note 7 – Revenue

Accounting policy

EG's revenue arises from subscription income, sales of licences of EG's own software and related configuration and installation services, external software and sales of hardware and consultancy services.

Revenue is recognised when the customer has access to use the software or the hardware has been delivered and accepted, i.e. at a point in time or when services are provided, or over time.

The input method is used to measure progress towards complete satisfaction of service provided over time due to the direct relationship between labour hours spent and cost incurred, and the transfer of services to the customer. The total number of hours expected to be spent on each project is re-estimated on a regular basis.

The transaction price
EG considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transactions price needs to be allocated. EG does not enter into sales agreements with a credit term of more than 12 months.

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.

Subscription income
Subscription income derives from industry software supplied as a Software as a Service (SaaS) solution, Hardware as a Service (HaaS) solution, maintenance and hotline subscriptions and payroll services. Unspecified future upgrades, maintenance and helpline support are considered as a single performance obligation.

NOTES

Note 7 – Revenue (continued)

Revenue from subscription 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 recognised over the period during which the payroll administration services are provided. Costs incurred for such activities are capitalised and amortised on a straight-line basis over the contract term.

Sales of proprietary software licences and related services

Sales of proprietary software licences comprise sales of licences as well as configuration and installation services and is accounted for as a single performance obligation, cf. Significant accounting judgements. Revenue from contracts primarily configuration and installation services are recognised when the services are provided, being over time based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the customer receives and uses the benefits of the services provided simultaneously. If the licence component constitutes the main part of the deliverable, revenue is recognised when the customer has been given access to use the system.

Sales of external software and related services

Revenue derived from external software comprises sales of licences for standard software solutions with added EG functionalities as well as configuration and installation services. The installation is simple and could be performed by another party. Thus, revenue from configuration and installation services is therefore accounted for as a separate performance obligation. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Revenue from software licences is recognised at the point in time when the customer has access to use the licence and accepted the delivery of hardware. Revenue from configuration and installation services is recognised over time as the services are provided. If the customer's acceptance of functionalities is required, revenue is recognised upon acceptance.

Sales of hardware

Revenue from the sale of hardware is recognised when control has transferred to the customer, being when the goods are delivered and accepted.

Sales of consultance and development services

Revenue from providing 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 recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

NOTES

Note 7 – Revenue (continued)

Disaggregation of revenue from contracts with customers
EG derives revenue from the transfer of services and goods to the following revenue streams.

DKK million	Private	Public	Total
2021			
Recurring	362	105	467
Non-recurring	120	64	184
Revenue	**482**	**169**	**651**
EBITDA	**147**	**20**	**167**
2020			
Recurring	315	68	383
Non-recurring	115	72	187
Revenue	**430**	**140**	**570**
EBITDA	**137**	**21**	**158**

Recurring revenue comprise subscription income supplied as a Software as a Service (SaaS) solution, maintenance and hotline subscriptions and payroll services. Unspecified future upgrades, maintenance and helpline support are considered as a single performance obligation.

Non-Recurring Revenue comprise product sales of software and hardware, and sale of consultancy and development services.

EG's revenue is derived over time, except for an insignificant part of Non-Recurring Revenue.

Revenue type	Revenue stream
Subscription income	Recurring
Sales of proprietary software licenses and related services	Non-recurring
Sales of external software and related services	Non-recurring
Sales of hardware	Non-recurring
Sales of consultancy and development services	Non-recurring

Revenue
Revenue from external customers, broken down by location of the customers, is shown below:

DKK million	2021	2020
Denmark	639	560
Sweden	6	4
Norway	2	2
Other	4	4
Total	**651**	**570**

NOTES

Note 8 – Staff costs and remuneration to key management personnel

Accounting policy

Staff costs are recognised in the financial year during which the employees performed the related work.

EG recognises a liability and an expense for bonuses.

Contributions to defined contribution plans are recognised in Staff costs when the related service is provided, and contributions payable are recognised in Other liabilities.

Share based payments
The fair value of warrants granted under the warrant programme is recognised as staff costs, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- *including any market performance conditions (e.g., the entity's share price)*
- *excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified period), and*
- *including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period).*

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value of time-vesting warrants is determined using a black Scholes valuation model and for performance-vesting warrants the fair value is determined using a monte carlo simulation based on geometric Brownian Motion (GBM) assumption for future distribution of prices (lognormal, returns are normally distributed) at a sample size of 200,000.

DKK million	**2021**	**2020**
Average number of employees	579	529
Wages and salaries	322	286
Defined contribution plans	20	18
Performance-based bonus	21	19
Share based payments	26	23
Other social security costs	5	4
Staff costs before capitalisation	**394**	**350**
Work carried out for own account and capitalised	(25)	(25)
Total	**369**	**325**

NOTES

Note 8 – Staff costs and remuneration to key management personnel (continued)

Defined contribution plans
EG only operates defined contribution pension plans where contributions are paid to private administered pension plans. Once the contribution has been paid, EG has no further payment obligation.

Non-monetary benefits comprise company car, IT equipment, health insurance, phone, and internet.

Performance-based bonus
Members of the Executive Board and other executives participate in a performance-based bonus programme subject to achievement of certain financial KPIs, i.e., EBITDA and revenue development.

Share-based payments
To attract and retain Executive Board members and other executives, such persons are 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 programme in the ultimate Parent Company Lancelot Holdco Ltd aimed at aligning the Executive Board's and shareholders' short- and long-term interests. In addition, a group of executives participate in a warrant programme.

Warrant programme
The warrant programme is an equity-settled programme established in June 2019. The vesting period is up to 48 months starting from the grant date. The programme comprises 15,458,066 time-vesting warrants and 10,806,640 performance-vesting warrants. The time vesting programme will vest if the employee remains with the company. The performance-vesting programme is subject to vesting based on value achieved by the investor upon exit. The minimum required return on investment shall be more than a multiple of 2x invested value to achieve payout. Upon exit the maximum payout is achieved at a multiple of 3x invested value.

Fair value of warrants granted
The total number of warrants granted in 2021 was 3.2 million.

The total fair value of warrants granted in 2021 was DKK 37.1 million.

The valuation is based on the following assumptions at the time of grant:

- Expected volatility: 65.0% (based on a peer group analysis)
- Risk-free interest rate: (0.54)%
- Market value at issue date:
  - Performance warrants: DKK 10.16
  - Time warrants: DKK 11.73
- Exercise price: DKK 10.73 - 35.00
- Term to expiry: 2.75 years
- Most of the time-share programme vest 25% of the first anniversary, and 2.083% monthly thereafter, and a part of the time-share programme vest 2.083% monthly.

Recognised in the profit or loss
Total expenses arising from share-based payments during 2021 as part of staff costs were DKK 26.4 million and as part of share of profit/loss after tax of investments in subsidiaries were DKK 5.5 million.

NOTES

Note 8 – Staff costs and remuneration to key management personnel (continued)

Number of granted warrants	
1 January 2021	23.295.267
Forfeited	(228.231)
Granted	3.197.670
31 December 2021	**26.264.706**
1 January 2020	17.897.960
Forfeited	(384.826)
Granted	5.782.133
31 December 2020	**23.295.267**

As per 31 December 2021, a total of 7,203,077 time vesting warrants have vested. (2020: a total of 4,090,119).

Key management personnel
Members of the Board of Directors and the Executive Board have authority and responsibility for planning, implementing, and controlling EG's activities and constitute EG's Key Management Personnel.

Remuneration to Key management personnel
The members of the Board of Directors are remunerated with an annual fixed fee.

Remuneration to the members of the Board of Directors and Executive Board, that has been in effect for the period of the financial statements, of EG Danmark A/S is presented below.

Members of the Executive Board are remunerated through a combination of salaries, performance-based bonus plans, warrants, pensions, and non-monetary benefits.

Members of the Executive Board have an extended term of notice of six months and are entitled to severance pay for twelve months.

	2021		**2020**	
DKK million	**Executive board**	**Board of Directors**	**Executive board**	**Board of Directors**
Wages and salaries	6	2	7	1
Defined contribution plans	1	-	1	-
Share based payments	7	4	7	4
Total	**14**	**6**	**15**	**5**

NOTES

Note 9 – Special items

Accounting policy

Special items include significant non-recurring items that Management does not consider to be part of EG's ordinary activities.

Special items are presented separately in profit or loss to provide a more comparable basis for EG's operations.

DKK million	**2021**	**2020**
M&A and Divestments related cost	51	26
Restructuring	7	8
Transformations	121	68
Total	**179**	**102**

Special items comprise of: M&A and divestment related cost;
- Cost to relating to purchases, divestment; and
- Cost relating to onboarding of acquisitions

Restructuring costs includes;
- Basic structural changes and strategic considerations regarding the future of the business,

Transformations cost includes;
- Change and migration of new ERP;
- Migration to a new data handling structure;
- Overall strategic transformation to establish the foundation for future operation; and
- Extraordinary changes to internal procedures.

Special items would have impacted the Income statement was follows, if not reclassified as Special items:
- Costs of providing services: DKK 3 million (2020: DKK 0 million)
- Staff costs: DKK 9 million (2020: DKK 9 million)
- Other operating expenses: DKK 167 million (2020: DKK 93 million).

NOTES

Note 10 – Investments in subsidiaries

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 dividends 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 "Share of profit/loss after tax of investments in subsidiaries".

DKK million	**2021**	**2020**
Cost at 1 January	1.679	1.008
Transferred from mergers	6	157
New Cost at 1 January	1.685	1.165
Additions	81	563
Disposals	-	(1)
Exchange rate adjustment	36	(24)
Transferred to asset held for sale	-	(18)
Cost af 31 December	**1.802**	**1.685**
Revaluation and impairment at 1 January	(249)	(216)
Transferred from mergers	119	98
New Revaluation and impairment at 1 January	(130)	(118)
Distributed result incl. amortisation and impairment of goodwill and tax	112	66
Distributed dividends	(300)	(79)
Adjustment to prior year	(1)	5
Exchange rate adjustments	(4)	11
Transferred to asset held for sale	-	(20)
Negative value transferred to receivables from group entities	32	-
Share based payments	6	5
Revaluation and impairment at 31 December	**(285)**	**(130)**
Carrying amount at 31 December	**1.517**	**1.555**

NOTES

Note 10 – Investments in subsidiaries (continued)

DKK million	Ownership	Country	Profit/(loss)	Equity
Calwin A/S	100%	Denmark	9	21
Dynaway A/S	100%	Denmark	7	18
EG Digital Welfare ApS	100%	Denmark	35	64
EG Hairtools ApS	100%	Denmark	5	9
Silkeborg Data A/S	100%	Denmark	27	110
EG Poland Sp. z.o.o	100%	Poland	(8)	(9)
CodeZoo ApS	100%	Denmark	-	(9)
Xena ApS	100%	Denmark	-	1
Sigma Estimates A/S	100%	Denmark	5	3
Capto A/S	100%	Denmark	4	(3)
Holte AS	100%	Norway	37	51
EG Norge AS	100%	Norway	15	104
EG Sverige AB	100%	Sweden	5	50
EGDK India Private Limited	100%	India	1	5
EG Finland Oy	100%	Finland	(10)	(10)
InCom ApS	100%	Denmark	4	4
Aver & Lauritzen ApS	100%	Denmark	1	3

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

NOTES

Note 11 - Net financials

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	2021	2020
Interest received from group entities	17	54
Net foreign exchange gains/(losses)	-	6
Other	1	1
Finance income	**18**	**61**
Interest paid to group entities	(20)	(49)
Interest on borrowings	(38)	(213)
Net foreign exchange gains/(losses)	(11)	-
Amortisation of borrowing costs	(5)	-
Other	(4)	(5)
Finance costs	**(78)**	**(267)**
Total	**(60)**	**(206)**

Note 12 – Tax

Accounting policy

Income tax for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically valuates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. EG measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax payables and receivables are recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income prior years and tax paid on accounts.

NOTES

Note 12 – Tax (continued)

Deferred tax is recognised using the liability method on temporary differences arises between the tax bases of assets and liabilities and their carrying amounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES

Note 12 – Tax (continued)

DKK million	2021	2020
Current tax on profit for the year	5	13
Prior-year adjustment	(7)	(3)
Prior-year adjustment deferred tax	19	-
Adjustment of deferred tax	32	24
Tax on profit for the year	**49**	**34**
Effective tax rate for the year (%)		
Income tax rate in Denmark	22%	22%
Other permanent items including limitation of interest deductability	(3)%	(9)%
Adjustment of tax and deferred tax relating to prior years	14%	(1)%
Effective tax rate for the year	**33%**	**12%**
Profit before tax	(149)	(286)
Effective tax rate	33%	12%
Tax expense	49	34
Profit after tax	**(100)**	**(252)**
Deferred tax		
Intangible assets	229	248
Property, plant and equipment	15	15
Current assets	2	6
Deferred income, liabilities	(1)	(9)
Debt and other liabilities	(39)	(30)
Deferred tax liabilities	**206**	**230**
The year's change in deferred tax may be specified as follows		
Deferred tax for the year recognised in result of continuing operations	(32)	(24)
Prior-year adjustment deferred tax	(19)	-
Transfer from mergers	27	246
Total	**(24)**	**222**

NOTES

Note 13 – Distribution of profit or loss

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

DKK million	2021	2020
Translation reserve	32	(13)
Reserve for development projects	13	28
Retained earnings	(372)	(639)
Extraordinary dividends	-	74
Proposed dividends	325	300
Total	**(2)**	**(250)**

Note 14 – Intangible assets

Accounting policy

Goodwill

On initial recognition, goodwill is measured at cost. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes being the operating segments.

Licensing rights

Acquisition-related licensing rights consist of rights to various industry and standard solutions and is recognised at fair value at the acquisition date.

Licensing rights have finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Development projects

New accounting policy: On the basis of the IFRIC agenda decision regarding account for cost relating to Software as a Service (SaaS), EG has done a reevaluation of accounting principles and policies to incorporate these clarifications and decisions set out.

On the basis of this reevaluation EG has changed its development projects in progress regarding our ERP project by DKK 19 million. Changes in the disclosures due to change in account policy is represented as a single line "change in account policy".

Comparative figures have been adjusted accordingly.

EG will apply the valuations measures from the agenda decision on any future cost regarding capitalisation of cost on SaaS investments to determine the option of capitalisation under IFRS.

NOTES

Note 14 – Intangible assets (continued)

Software costs related to development projects that are directly attributable to the design and testing of identifiable and unique software products controlled by EG are recognised as intangible asset where the following criteria are met:

- *it is technical feasible to complete the software so that it will be ready for use;*
- *Management intends to complete the software and use or sell it and there is an ability to use or sell it;*
- *the expenditure attributable to the software during development can be reliably measured; and*
- *it can be demonstrated how the software will generate probable future positive earnings after amortisation*

Capitalised costs mainly include wages and salaries and are included in intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining and updating products and programmes are recognised as an expense as incurred. Minor development projects and parts hereof that are funded directly or indirectly by customers are also expensed as incurred.

Other intangible assets
Separately acquired other intangible assets, including customer relationships and trademarks are measured at cost.

Acquisition-related other intangible assets comprise order books, trademarks, and rights, including software and licensing rights, and are recognised at fair value at the acquisition date. Other intangible assets have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Customer relationships
Acquisition-related customer relationship are recognised at fair value at the acquisition date. Fair value 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 subsequently measured at cost less accumulated amortisation and impairment losses.

Amortisation methods and useful life
EG amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Licensing rights	*2 - 12 years*
Development projects	*2 - 8 years*
Other intangible assets	*2 - 20 years*
Customer relationsships	*7 - 25 years*

Residual values and useful lives are reviewed at the reporting date and adjusted if appropriate.

Impairment testing
Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets with finite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Intangible assets are tested for impairment 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.

NOTES

Note 14 – Intangible assets (continued)

Impairment losses are recognised in profit or loss under Depreciation, amortization, and impairment. However, impairment of goodwill is recognised on a separate line item.

DKK million	Goodwill	Order backlog	Customer relations-ship	Trademark	Other	Licensing rights	Comple-ted devel-opment projects	Devel-opment projects in progress	Total
2021									
Cost									
At 1 January	2.299	47	720	186	20	305	274	51	3.902
Adjustment to 1 January regarding new accounting policy	-	-	-	-	-	-	-	(19)	(19)
Transferred from merger	58	-	141	2	-	16	-	-	217
New cost at 1 January	2.357	47	861	188	20	321	274	32	4.100
Acquisition regarding business combination	86	-	29	1	-	5	-	-	121
Additions	-	-	-	-	-	-	-	31	31
Transfers	-	-	-	-	-	-	30	(30)	-
At 31 December	**2.443**	**47**	**890**	**189**	**20**	**326**	**304**	**33**	**4.252**
Amortisation and impairment									
At 1 January	(119)	(19)	(137)	(75)	(16)	(132)	(190)	-	(688)
Transferred from merger	-		(4)	-	-	(8)	-	-	(12)
New amortisation and impairment at 1 January	(119)	(19)	(141)	(75)	(16)	(140)	(190)	-	(700)
Amortisation	-	(5)	(60)	(33)	(1)	(32)	(25)	-	(156)
At 31 December	**(119)**	**(24)**	**(201)**	**(108)**	**(17)**	**(172)**	**(215)**	**-**	**(856)**
Carrying amount at 31 December	**2.324**	**23**	**689**	**81**	**3**	**154**	**89**	**33**	**3.396**
2020									
Cost									
At 1 January	252	6	89	12	16	96	272	31	774
Transferred from merger	2.257	41	711	164	-	219	23	-	3.415
New cost at 1 January	2.509	47	800	176	16	315	295	31	4.189
Acquisition regarding business combination	31	-	61	1	-	4	-	-	97
Additions	-	-	-	-	4	2	-	47	53
Transfers	-	-	-	11	-	-	46	(46)	11
Disposals	(183)	-	-	-	-	-	(67)	-	(250)
At 31 December	**2.357**	**47**	**861**	**188**	**20**	**321**	**274**	**32**	**4.100**
Amortisation and impairment									
At 1 January	(119)	(6)	(45)	(12)	(16)	(87)	(229)	-	(514)
Transferred from merger	-	(8)	(42)	(19)	-	(16)	(1)	-	(86)
New amortisation and impairment at 1 January	(119)	(14)	(87)	(31)	(16)	(103)	(230)	-	(600)
Amortisation	-	(5)	(54)	(33)	-	(37)	(27)	-	(156)
Transfers	-	-	-	(11)	-	-	-	-	(11)
Disposals	-	-	-	-	-	-	67	-	67
At 31 December	**(119)**	**(19)**	**(141)**	**(75)**	**(16)**	**(140)**	**(190)**	**-**	**(700)**
Carrying amount at 31 December	**2.238**	**28**	**720**	**113**	**4**	**181**	**84**	**32**	**3.400**

NOTES

Note 14 – Intangible assets (continued)

In 2021, the impairment tests of intangible assets with in-definite useful life were prepared on 31 December 2021. The impairment test performed showed that the value of CGU's significantly exceeds the carrying amount of the assets, and therefore the values are maintained.

Goodwill

EG has the following cash-generating units:

- EG Software Private 1 & 2

  The Private divisions sells standardised systems and implements proprietary vertical software 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.

  Furthermore, EG software provides business critical IT solutions 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 the sale of subscription services such as SaaS (Software as a Service) services, HaaS (Hardware as a Service), Hardware sales and hotline and support agreements and is primarily based on EG'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.

- EG Software Public

  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 EG's proprietary systems.

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

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. 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.

The Impairment assessment is based future cash flows from both the annual budgets, strategy plans and Management's estimates of expected developments over the next five years. Revenue growth assumptions, EBITDA, and discount rate constitute the most material parameters in the calculations.

For both segments in EG, the estimated growth rates are based on own market intelligence process updated in the annual strategy process, through which information is collected from all key markets to form the basis for future market growth expectations. The internal expectations are then verified against available market data from external resources, including global market intelligence on amongst other TAM and SAM growth rates for all key markets.

For the calculation of the net present value (NPV), EG'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 8.0% after tax (8.1% before tax). The same WACC is used for both CGUs as the divisions are not significantly different.

NOTES

Note 14 – Intangible assets (continued)

EG's total goodwill is specified by CGUs as shown below.

DKK million	2021	2020
Goodwill		
Private I	1.305	1.305
Private II	30	-
Public	989	933
Total	**2.324**	**2.238**
Customer relationsship		
Private I	611	666
Private II	14	-
Public	64	54
Total	**689**	**720**
Licensing rights		
Private I	89	109
Private II	3	-
Public	62	72
Total	**154**	**181**

Note 15 – Property plant and equipment and lease assets

Accounting policy

Property, plant and equipment is initially recognised at historical cost and subsequently at cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs, for example in connection with replacement of components, are recognised in the carrying amount or recognised separately, as appropriate, if it is probable that the cost will result in future economic benefits for EG. The carrying amount of any component accounted for separately is derecognised when replaced. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold improvements comprise costs invested in leased premises to customise them for EG's purposes.

Useful life and residual value are determined at the acquisition date and reassessed annually.

NOTES

Note 15 – Property plant and equipment and lease assets (continued)

Depreciation is recognised on a straight-line basis over the estimated useful lives of the asset, taking into account the residual value. The expected useful is as follows:

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*

Assets are written down if the carrying amount exceeds its estimated recoverable amount, cf. note 14– Intangible assets. Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit or loss.

Right-of-use assets and the related lease liability are recognised at the commencement date, except for short-term leases of 12 months or less and leases of low-value assets. Right-of-use assets are initially measured at cost comprising:

- *the initial lease liability;*
- *any lease payments made at or before the commencement date less any lease incentives received; and*
- *any initial direct costs.*

Subsequently, the right-of-use asset is measured at cost less depreciation and impairment losses and adjusted for remeasurement of the lease liability. The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment.

Right-of-use assets are recognised as property, plant and equipment.

EG has elected not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Low-value assets comprise IT equipment and small items of office furniture. Lease payments related to such leases are recognised in profit or loss as an expense on a straight-line basis over the lease term.

Additions to right-of-use assets

Additions to the right-of-use assets in 2021 were DKK 19 million (2020: DKK 4 million).

Lease-related costs recognised in profit or loss

DKK million	**2021**	**2020**
Depreciation:		
- Land and buildings, etc.	19	24
- Plant, machinery, IT equipment	4	5
Interest expense	4	5
Short term leases	-	-
At 31 December	**27**	**34**

The total cash outflow for leases in 2021 was DKK 24 million (2020: DKK 32 million).

NOTES

Note 15 – Property plant and equipment and lease assets (continued)

DKK million	Land and buildings	Plant, machinery, IT equipment	Total
2021			
Cost			
At 1 January	228	69	297
Transferred from merger	1	4	5
New cost at 1 January	229	73	302
Additions	13	21	34
Transfers	-	(4)	(4)
Disposals	(45)	(5)	(50)
At 31 December	**197**	**85**	**282**
Amortisation and impairment			
At 1 January	(147)	(48)	(195)
Transferred from merger	-	(7)	(7)
New amortisation and impairment at 1 January	(147)	(55)	(202)
Depreciation	-19	-14	(33)
Transfers	-	4	4
Disposals	45	5	50
At 31 December	**(121)**	**(60)**	**(181)**
Carrying amount at 31 December	**76**	**25**	**101**
Hereoff right-of-use assets	**76**	**7**	**83**
2020			
Cost			
At 1 January	250	118	368
Transferred from merger	1	7	8
New cost at 1 January	251	125	376
Additions	-	14	14
Disposals	(22)	(66)	(88)
At 31 December	**229**	**73**	**302**
Amortisation and impairment			
At 1 January	(126)	(99)	(225)
Transferred from merger	-	(4)	(4)
New amortisation and impairment at 1 January	(126)	(103)	(229)
Depreciation	(23)	(12)	(35)
Disposals	2	64	66
At 31 December	**(147)**	**(51)**	**(198)**
Carrying amount at 31 December	**82**	**22**	**104**
Hereoff right-of-use assets	**82**	**4**	**86**

NOTES

Note 16 – Trade receivables, other receivables, and credit risk

Accounting policy

Trade and other receivables are recognised initially at transaction price (i.e. for trade receivables typically the invoiced amount) and subsequently measured at amortised cost using the effective interest method. Due to the short-term nature of trade and other receivables amortised cost will equal cost less loss allowance for expected credit losses.

EG applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a representative period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information on macroeconomic factors af-fecting the ability of the customers to settle the receivables.

Trade receivables are generally written off if they are past due more than 90 days or when there is no reasonable expectation of recovery. Indicators showing there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with EG. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

DKK million	2021	2020
Gross carrying amount	136	70
Loss allowance	(5)	(2)
Trade receivables	**131**	**68**
Deposits	9	10
Other receivables	19	13
Other receivables	**28**	**23**
Trade and other receivables	**159**	**91**

Trade receivables are amounts due from customers for software and hardware sold and services performed in the ordinary course of business. Trade and other receivables are generally due for settlement within 30 days and thus presented as current.

Exposure to credit risk
Credit risk is managed on a group basis.

EG's trade 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 credit risk on trade receivables and contract assets are assessed regularly through analysis of customer type, country, and specific conditions.

The maximum credit risk exposure to trade and other receivables is shown above. EG's loss allowances at 31 December 2021 related solely to trade receivables.

NOTES

Note 16 – Trade receivables, other receivables, and credit risk (continued)

Loss allowance for trade receivables and contract assets

DKK million	2021	2020
Loss allowance 1 January	(2)	(1)
Write-off	2	-
Increase	(5)	(1)
Loss allowance at 31 December	**(5)**	**(2)**

Provisions for the completion of projects are not included in trade receivables but are provided for separately and deducted from the gross value of contract assets.

DKK million	Current	0 - 30 days	31 - 90 days	> 90 days	Total
2021					
Gross carrying amount of trade receivables	71	50	3	12	136
Loss allowance	-	-	-	(5)	(5)
Carrying amount	**71**	**50**	**3**	**7**	**131**
2020					
Gross carrying amount of trade receivables	53	14	1	2	70
Loss allowance				(2)	(2)
Carrying amount	**53**	**14**	**1**	**-**	**68**

NOTES

Note 17 - Contract assets and liabilities

Assets and liabilities related to contracts with customers
Contract assets comprise amortised contract costs and consideration for service performed for which the receipt of consideration is conditional on successful completion of the services. Contract assets mainly relate to revenue earned from ongoing service agreements.

Contract liabilities comprise payments received from a customer before EG tranfers the related goods or services.

Costs to fulfil a contract
Costs to fulfil a contract are capitalized if all the following three criteria are met:

- First, the costs relate directly to a contract or a specifically anticipated contract.
- Second, the costs generate or enhance resources of the entity that will be used to satisfy future performance obligations.
- And third, the costs are recoverable.
-

Costs that relate to satisfied performance obligations are expensed as incurred.

EG's contract balances are as follows:

DKK million	2021	2020
Contracts recognised over time	7	4
Costs to fulfil contracts	6	-
Contract assets	**13**	**4**
Prepayments from customers	(9)	(1)
Contract liabilities	**(9)**	**(1)**

NOTES

Note 18 – Equity

Accounting policy

Retained earnings
Retained earnings is EG's free reserves, which includes share premium reserves. Share premium reserves comprises amounts above the nominal share capital paid by shareholders when shares are issued by the parent company.

Translation reserve
Exchange adjustments arising on translation of foreign subsidiaries are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to other comprehensive income on disposal.

Capital management
For the purpose of EG's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of EG's capital management is to maximise the value for the shareholders.

On an ongoing basis, EG assesses the capital structure and the need for adjustment due to changes in economic conditions to balance the higher required rate of return on equity against the increased uncertainty related to loan capital.

According to the current financing agreement EG is obliged to meet financial covenants related to a certain Net Debt/EBITDA ratio. For this reason, Net Debt/EBITDA ratio are monitored closely and reported monthly to ensure compliance with financial covenants.

EG's capital management aims to ensure that it meets financial covenants as breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants in the current reporting period. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The share capital consists of	**Number of shares**	**at DKK**	**Share capital (DKK million)**
2021	3.550.000	20	71
2020	3.550.000	20	71

Share capital 5 year movement	**2021**	**2020**	**2019**	**2018**	**2017**
Beginning of year	71	71	71	71	71
End of year	**71**	**71**	**71**	**71**	**71**

NOTES

Note 19 – Borrowings

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, borrowings are measured at amortised cost. The difference between the proceeds and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Lease liabilities include the net present value of the following lease payments:

- *fixed payments (including in-substance fixed payments), less any lease incentives receivable;*
- *variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;*
- *amounts expected to be payable by EG under residual value guarantees;*
- *the exercise price of a purchase option if EG is reasonably certain to exercise that option; and*
- *payments of penalties for terminating the lease, if the lease term reflects EG exercising that option.*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in EG, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of- use asset in a similar economic environment with similar terms, security, and conditions. To determine the incremental borrowing rate, EG is considering incremental borrowing rates for similar assets.

EG's debt to banks is shown as a net amount because of cash pooling.

DKK million	Current	Non-current	2021	Current	Non-current	2020
Bank loans	128	374	502	-	355	355
Lease liabilities	21	69	90	12	85	97
Total	**149**	**443**	**592**	**12**	**440**	**452**
Cash and cash equivalents	1	-	1	95	-	95
Net debt	**148**	**443**	**591**	**(83)**	**440**	**357**

Debt arising from financing obligations

DKK million	2021	2020
Beginning of the year	452	215
Repayments	(26)	(47)
New loans	19	284
Amortised borrowing costs	5	-
Exchange rate adjustments	14	-
Year end	**464**	**452**

NOTES

Note 19 – Borrowings (continued)

Excluded from the table are current bank loans consisting of cash pool. DKK 128 million (2020: DKK 0 million).

New loans include DKK 19 million regarding lease liabilities relating to right-of-use assets (2020: DKK 4 million).

Fair value
The fair value of lease liabilities is not materially different from the carrying amount since the interest payable is close to current market rates.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Fair value of borrowings amounts to DKK 476 million. (2020: DKK 468 million).

Note 20 – Other liabilities

DKK million	2021	2020
Accrued holiday pay	55	56
VAT Payables	18	13
Payroll tax etc. payables	25	46
Accrued interest	0	2
Other	77	123
Transferred to liabilities held for sale	-17	-
Total	**158**	**240**

Note 21 – Deferred income

Accounting policy

Deferred income comprises payments received from customers related to subscription income for subsequent years.

Deferred income is measured at cost and amortised over the term of the contract usually 0-2 years.

Other accruals mainly comprise accrued interest.

DKK million	2021	2020
Accrued customer payments	15	16
Other accruals	-	2
Total	**15**	**18**

NOTES

Note 22 – Financial assets and liabilities

DKK million	2021	2020	Fair value
Financial assets at amortised costs			
Trade and other receivables	159	91	Due to the short-term nature of the assets, the carrying amount approximate their fair value.
Receivables from group companies	340	140	
Cash and cash equivalents	1	95	
Total	**500**	**326**	
Financial liabilities at amortised cost			
Borrowings	374	355	The fair values of bank loans and lease liabilities are not materially different from their carrying amounts, since the interest payable is close to current market rates.
Bank loans	128	-	
Lease liabilities	90	95	
Payables to group companies	698	592	For other financial liabilities, the fair values approximate their carrying amount due to the short-term nature of the items.
Trade and other payables	134	69	
Other liabilities	158	240	
Total	**1.582**	**1.351**	

Note 23 – Contingent liabilities and other financial liabilities

EG Danmark A/S is subject to the obligations arising from its operating activities. There are no material risks related to the terms of sale and delivery.

Subject to customary legal provisions, EG Danmark A/S act as guarantor of loans for the entity EG Midco ApS.

Subject to common law, assets amounting to DKK 5.555 million are pledged as security for non-current borrowings to banks amounting to DKK 4,051 million.

EG Danmark A/S is party to a contract where a customer could have a potential claim due to delivery delays in the development of a new system. The potential compensation is uncertain, and Management do not expect the risk to imply a material negative effect on EG Danmark A/S's financial position.

EG Danmark A/S has delivered on all EG Danmark A/S's deliverables in 2021 regarding the KY project. EG Danmark A/S has entered into back-to-back agreement regarding the deliverables going forward. Management does not expect the risk to imply a material negative effect for EG Danmark A/S.

EG Danmark A/S is subject to contractual obligations regarding IT Services totalling DKK 27 million in terminable agreements with a termination period of 6 months.

NOTES

Note 24 – Adjustments

DKK million	2021	2020
Special items	(179)	(102)
Adjustments regarding fundsflow	-	(4)
Share-based payments	30	23
Total	**(149)**	**(83)**

Note 25 – Changes in working capital

DKK million	2021	2020
Change in inventories	(1)	-
Change in receivables and other receivables	(268)	55
Change in trade payables and other payables	88	-
Change in other prepayments and other liabilities	(33)	100
Total	**(214)**	**155**

NOTES

Note 26 – Related parties

DKK million	2021	2020
Sales to related parties	81	21
Purchase from related parties	40	1
Receivables from related parties, parent companies	3	-
Receivables from related parties, subsidiaries	337	140
Receivables from related parties	**340**	**140**
Related party debt, parent companies	227	94
Related party debt, subsidiaries	471	498
Related party debt	**698**	**592**

Parent and ultimate controlling party
EG Danmark A/S's parent is EG Midco ApS, Ballerup, Denmark.

The ultimate parent company is Lancelot UK Holdco Ltd., London.
The ultimate controlling party is considered to be Fransisco Partners V,L.P.

Consolidated financial statements
EG Danmark A/S is included in the consolidated financial statements of the smallest group being EG A/S, Ballerup, Denmark.
EG Danmark A/S is included in the consolidated financial statements of the largest group being Lancelot UK Holdco Ltd, London.

Subsidiaries
EG Danmark A/S's interests in subsidiaries are set out in note 10 – Investment in subsidiaries.

Transactions are made on market terms.

Key management personnel
The Board of Directors and the Executive Board are considered EG Danmark A/S's key management personnel.

Apart from remuneration, no transactions were carried out with key management personnel. Remuneration of key management personnel is set out in note 8 – Staff costs and remuneration of key management personnel.

Other related parties
EG Danmark A/S's other related parties include associates as well as family members of key management personnel. No transactions were carried out during the year with other related parties.

NOTES

Note 27 – Financial risk management

EG is exposed to several financial risks, primarily interest rate risk, currency risk and liquidity risk due to its nature of operations.

EG's financial risks are managed centrally by Group Finance according to policies approved by the Board of Directors. EG does not enter derivative transactions for trading or speculative purposes.

The primary objectives for EG's financial risk management are to ensure effective liquidity management and sufficient liquidity to uphold business operations and meet contractual commitments stipulated in the funding as well as mitigate risks for any covenant or other breaches due to interest and exchange rate changes.

EG has not identified additional financial risk exposures in 2021 compared to 2020.

Credit risk

EG is exposed to credit risk primarily related to trade ceivables, cf. note 16 - Trade receivables, other receivables, and credit risk.

EG's exposure to credit risk related to bank deposits and cash and cash equivalents was DKK (127) million on 31 December 2021. EG only incurs transactions with counterparties possessing an acceptable long-term credit rating from one of the rating agencies Standard & Poor's, Moody's, or Fitch.

Liquidity risk

Effective liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet obligations related to EG's ongoing financing of operations, including refinancing and debt.

Group treasury monitors the available liquidity since expected cash flows with the aim of maintaining sufficient cash and an adequate amount of committed credit facilities. For the optimisation and centralisation of cash management EG uses cash pools.

EG's financial resources consist of cash and cash equivalents and committed credit facilities. On 31 December 2021, the liquidity reserve amounted to DKK 375 million. The committed credit facilities mature in 2026. EG has no short-term maturities.

EG's ability to serve long-term debt and credit facilities at point of maturity depends on future cash flows and refinancing. On 31 December 2021, EG Danmark A/S' free cash flow was DKK (124) million. In 2021, free cash flow was affected negatively by DKK 179 million recognised as special items which is non-recurring by nature. The adjusted free cash flow of DKK 55 million is considered adequate to meet future contractual obligations when due.

Undrawn credit facilities amount to DKK 390 million.

NOTES

Note 27 – Financial risk management (continued)

DKK million	Carrying amount	Total	0-1 year	1-2 years	2-5 years	>5 years
2021						
Borrowings incl. interest	374	452	24	24	404	-
Lease liabilities	90	90	21	21	42	6
Trade and other payables	134	134	134	-	-	-
Other liabilities	175	175	175	-	-	-
Transferred to liabilities held	(17)	(17)	(17)	-	-	-
Financial liabilities	756	834	337	45	446	6
2020						
Borrowings incl. interest	355	476	23	23	430	-
Lease liabilities	97	97	12	21	50	14
Trade and other payables	69	69	69	-	-	-
Other liabilities	240	240	240	-	-	-
Transferred to liabilities held	-	-	-	-	-	-
Financial liabilities	761	882	344	44	480	14

The amounts disclosed are the contractual undiscounted cash flows (i.e., including expected interest payments estimated based on market expectations on 31 December). Balances due within 12 months equals their carrying amount as the impact of discounting is not significant. Contractual maturities for financial assets are not disclosed as they all have a maturity of less than 12 months and thus equal the carrying amount.

Currency risk

EG's revenue is primarily denominated in DKK, but acquisitions in Norway, Sweden and Finland have increased EG's exposure to NOK, SEK, and EUR. EUR exchange rate risk is regarded as very low because of Denmark's fixed exchange rate policy towards EUR.

EG's exposure to currency risk relates to EG's operating activities, EG's net investments in foreign subsidiaries and borrowings in foreign currency.

Currently, EG does not hedge the risk related to operating activities as EG considers the risk as low. However, the financial policy dictates those structural balances in foreign exchange + / - 20 mDKK equivalent will be traded/exchanged via SPOT transactions.

Currency exposure from net investments has not been hedged. Foreign exchange adjustments are recognised in other comprehensive income. In 2021, the amount recognised in other comprehensive income amounted to DKK 32 million (2020: DKK (13) million).

EG's borrowings and bank loans are denominated in DKK, NOK, SEK, and EUR. As the impact from fluctuations in NOK and SEK is considered immaterial, EG does not use derivative financial instruments to hedge the currency exposure.

EG does not hedge exchange rate fluctuations related to the translation of the results of foreign subsidiaries at the reporting date. Consequently, EG may be affected by short-term fluctuations when translating the results of subsidiaries into DKK.

Translation of intra-group balances in foreign currency at the reporting date is not hedged.

The aggregate net foreign exchange gains and losses recognised in profit and loss are disclosed in note 11, Finance income and finance costs.

NOTES

Note 27 – Financial risk management (continued)

The sensitivity of profit or loss due to changes in foreign exchange rates is considered immaterial.

Interest rate risk

Interest rate risk mainly arises from borrowings with variable interest rates, which exposes EG Danmark A/S' cash flow interest rate risk. All EG Danmark A/S' borrowings carry variable interest rates.

EG Danmark A/S has variable interest expenses and is financed with floating rates combined with a fixed margin depending on the credit facility. Interest expenses are settled in DKK and NOK.

To minimise both interest and related risks, EG has entered into cash pooling and interest netting agreements with its banks. EG has variable interest expenses and is financed with floating rates combined with a fixed margin depending on the credit facility.

Currently, EG Danmark A/S does not hedge interest rate risk. Management monitors, as outlined in EG's financial policy, the interest rate risk on monthly basis and recommends to the Board if the duration of interest periods shall be changed.

Interest rate sensitivity

Profit or loss is sensitive to higher/lower interest income from borrowings because of changes in interest rates. An increase of 1%-point in relevant interest rates would have decreased profit or loss by DKK 4 million (2020: DKK 4 million). The estimate is based on EG' Danmark A/S' loans and borrowings with variable interest rates and assuming all other variables remain constant.

DKK million	Carrying amount	Maturity	Currency	Effective interest
2021				
Borrowings, variable	374	2026	Multi	3-7 %
Leasing, floating	90	2022-2027	Multi	3-5 %
Cash in hand	(127)	-	Multi	-
2020				
Borrowings, variable	355	2026	Multi	3-7 %
Leasing, floating	97	2021-2027	Multi	3-5 %
Cash in hand	95	-	Multi	-

Fair value of borrowings amounts to DKK 374 million. (2020: DKK 355 million)
Cash in hand includes current debt to bank resulting from cash pool DKK 128 million (2020: DKK 0 million).

NOTES

Note 28 – Fee to auditors

With reference to section 96(3) of the Danish Financial Statements Act and to the note to the Consolidated Financial Statements of EG A/S on the fee to the auditors appointed at the annual general meeting, the Company has omitted to prepare disclosure in the notes of fee to the auditor appointed by the general meeting.

Note 29 – Definitions of financial ratios

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	Operating profit before depreciation, amortization, and special items
Net working capital	Inventory + trade receivables + contract work in progress - trade payables.
Free cash flow	Operating cash flow – investments in non-current assets
Adjusted free cash flow	Free cash flow + special items + non-cash movements on property, plant and equipment + extra ordinary investment in licensing rights
Revenue growth	Change in revenue as a percentage of previous year revenue
EBITDA margin	EBITDA as a percentage of revenue
Equity ratio	Equity as a percentage of total assets
Number of employees	Average full-time equivalent employees during the reporting period