

Let's go further

EG A/S
Annual Report
2021

This Annual Report was presented and approved by the shareholders at the Company's Annual General Meeting held on 1 April 2022

Henrik Hansen, Chairperson of the General Meeting


www.eg.dk Company reg. (CVR) no. 40 40 60 93 1 January - 31 December 2021

Contents

EG in numbers

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

Read more about EG here.

Revenue
DKK million
1,755

Adj. EBITDA
DKK million
576

Customers
26,000+

Revenue growth
22%

Adj. EBITDA margin
32.8%

Employees
1,600+

Another strong year

2021 was again marked by the COVID-19 pandemic, which affected societies, businesses, and private lives around the world. We therefore, first and foremost, want to thank all our employees, who have shown remarkable stamina and dedication in helping our many customers, as well as each other, through the challenges caused by the pandemic.

Viewing the year through the lens of business performance, 2021 was another strong year for EG. The company grew revenue by 22% in a combination of organic growth as well as growth fuelled by value-creating acquisitions. EG completed 12 acquisitions this year alone.

The organic growth testifies to the attractiveness of vertical software for our customers – fit-for-purpose, industry-specific solutions based on out-of-the-box, standard software platforms. The growth through acquisitions confirms that EG, based on our best in-class operating model and ability to rapidly integrate acquired businesses, is uniquely positioned to bring new, great software and domain expertise to our customers, while at the same time, continuing to consolidate the highly fragmented Nordic market for vertical software.

2021 was a year with extraordinary performance. EG's revenue growth rate has been 22%, while Recurring Revenue from primarily subscription-based software has grown by 27%. Consequently, Recurring Revenue, which delivers highly predictable revenue streams and hence stability, has risen from 71,7% to 78,3% of total revenue over the last 3 years. Alongside this, profitability has continued to improve, year on year.

Chairperson Klaus Holse

2021 was a year with extraordinary performance. EG's revenue growth rate has been 22%, while Recurring Revenue from primarily subscription-based software has grown by 27%.

As a result of our continuous growth, we have strengthened our position as a leading vertical software provider in the Nordic region, not only through stronger market positions within the seven key verticals in which we operate, but also through geographic expansion where we now have a stronger foothold across all the Nordic markets.

In 2021, we took important steps towards accomplishing our mission: to build market leading vertical software. In combination with the significant transformation of the company over the last few years, EG is now well-positioned to continue its growth journey.

Growth which will be delivered by focusing on a simple strategy based on three pillars that have driven strong financial returns in the past and that will continue to do so in the future:

- building market leading positions across the Nordics, organically and through strategic acquisitions;
- operating on the EG Operating Model to drive scale and ensure best practice; and
- maintaining diversity and empowerment in our business units with a Nordic trust-based leadership culture.

Regarding the latter, we strongly believe in the mutual interest of both EG and our business partners to meet the present and future requirements of markets and society. Thus, ESG is deeply integrated in the way we make decisions and do our job. This includes responsibility to the environment and the people taking part in the development and delivery of our solutions and services.

Please read more about how we actively work with ESG in this report or you can find a more detailed overview of our initiatives and objectives in our ESG Report 2021, which also includes our progress in our commitment to the UN Global Compact.

Yours sincerely

Klaus Holse
Chairperson, EG A/S

Revenue Growth, 2021

22%

Recurring Revenue Growth, 2021

27%

Financial highlights & ratios

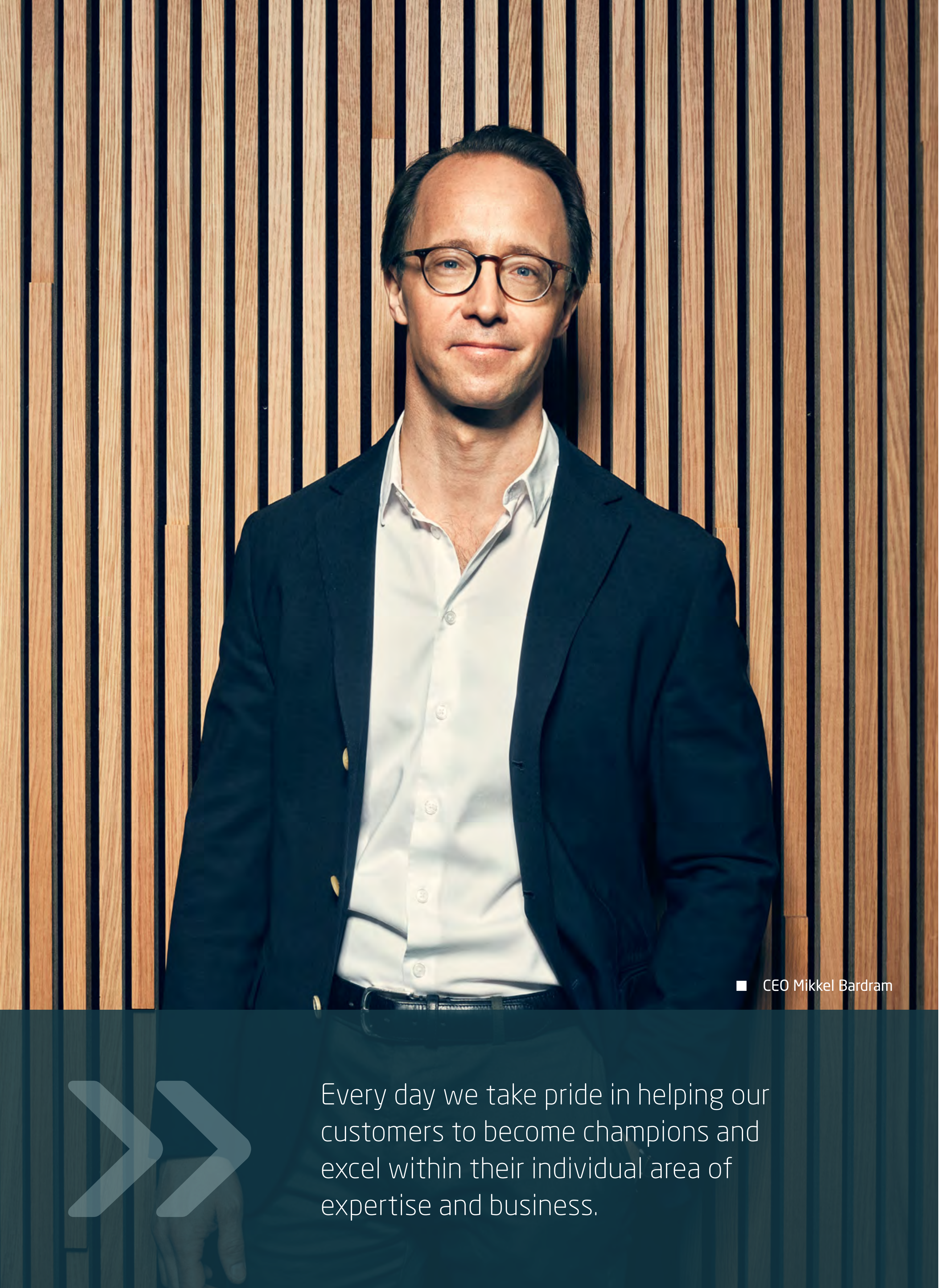
Financials

DKK million	2021	2020	2019 9 months
Income statement			
Revenue	1,755	1,439	790
Adjusted EBITDA (Non-IFRS Measure)*	**576**	**438**	**237**
EBITDA	**544**	**415**	**222**
Net financials	(292)	(248)	(157)
Adjusted profit for the year (Non-IFRS Measure)**	**84**	**18**	**(53)**
Profit for the year from continuing operations	**(307)**	**(278)**	**(294)**
Profit for the year	**(239)**	**(268)**	**(289)**
Profit for the year from continuing operations	(307)	(278)	(294)
Acquisition related amortisations	205	189	142
Tax effect related amortisation	(45)	(42)	(35)
Share based payments	32	23	15
Special items	199	126	115
Adjusted profit for the year	**84**	**18**	**(53)**
Balance sheet			
Total assets	6,782	5,887	5,190
Equity	1,175	1,322	1,260
Cash flow			
Free cash flow	90	237	45
Adjusted free cash flow (Non-IFRS Measure)***	305	363	201
Investments			
Property, plant and equipment	59	42	6

Ratios

DKK million	2021	2020	2019 9 months
Financial ratios			
Revenue Growth	22.0%	82.2%	
Recurring Revenue % (Non-IFRS Measure)	78.3%	75.1%	71.7%
Recurring Revenue Growth % (Non-IFRS Measure)	27.0%	20.0%	14.0%
Adjusted Revenue (Non-IFRS Measure)****	1,903	1,574	1,352
Organic Revenue Growth (Non-IFRS Measure)*****	3%	(3)%	4%
Adjusted Recurring Revenue (Non-IFRS Measure)	1,489	1,181	965
Organic Recurring Revenue Growth (Non-IFRS Measure)	8%	1%	5%
Adjusted EBITDA growth (Non-IFRS Measure)	31.5%	84.8%	
Adjusted EBITDA margin (Non-IFRS Measure)	32.8%	30.4%	30.0%
EBITDA margin	31.0%	28.8%	28.1%
Equity ratio	17.3%	22.5%	24.3%
Average numbers of employees	1,360	1,176	1,206
Gross retention rate % (Non-IFRS Measure)	97%	97%	97%
Net retention rate % (Non-IFRS Measure)	103%	99%	103%

* Adjusted EBITDA: EBITDA Before share based payments.
** Adjusted profit for the year: Profit for the year from continuing operations before acquisition-related depreciation/amortisation and impairment losses, share based payments and special items.
*** Adjusted free cash flow: Free cash flow excluding special items, non-cash movements on property, plant and equipment and acquisition of external licensing rights.
**** Total reported revenue adjusted to include revenue as if acquisitions were completed on the first day of the relevant accounting period. Figures are stated in Constant Currency.
***** Organic Revenue Growth represents the development of the Group's revenues in relation to the corresponding prior accounting period, including revenue from acquisitions completed in the current and prior accounting period as if the acquisitions have been made on the first day of the previous accounting period. Numbers are stated in Constant Currency.
Note: Financial ratios regarding Recurring Revenue and Revenue Growth for Non-IFRS Measures are on full year EG consolidated level.



CEO Mikkel Bardram

Every day we take pride in helping our customers to become champions and excel within their individual area of expertise and business.

Highlights from a busy year

2021 was another successful year for EG. We continued our growth both organically and through acquisitions, while still improving our profitability. The entire EG organisation can take pride in that achievement in yet another busy year.

Total 2021 revenue grew 22% to DKK 1,755 million, while adjusted EBITDA rose 31.5% to DKK 576 million, corresponding to an adjusted EBITDA-margin of 32.8% - an increase in EBITDA-margin of 2.4 percentage points.

Our strong results have first and foremost been achieved by servicing our more than 26,000 customers daily in the seven key verticals and 16 sub-verticals in which we operate. Adding to our organic growth, we also made 12 strategic and value creating acquisitions in 2021. These unique and strong additions to the EG family will help to shape our growth trajectory going forward. Finally, and also contributing to the results, we continued to refine our highly differentiated operating model – The EG Operating Model.

Building market leading positions

Every day we take pride in helping our customers to become champions and excel within their individual area of expertise and business. Our vision to enable our customers to become industry leaders is truly embedded in every product and service we deliver.

We do that by providing standard software fit for the specific purpose of the customer and based on best practice in their industry – software that requires low investments and maintenance costs, and which is continuously upgraded.

In 2021 we have come far in strengthening our positions across all markets through new product launches and by winning many new customers, leading to an Organic Recurring Revenue Growth of 8%.

We also strengthened and expanded our market positions through 12 acquisitions. Three of these acquisitions were in Finland, giving us a solid footprint in the country with more than 100 employees and 850 customers.

In 2021, we also continued to strengthen our position across many verticals. Within the construction market, we added three companies to our portfolio: Silverbucket and Jydacom in the new Finnish market, and PM-Elberegning, which complemented our cost calculation tools in Denmark. We also entered the Danish market with our Norwegian construction product Smartkalk, which is already showing good traction.

Within retail we strengthened our position by winning large customers such as Shell Norway, Til Bords, Reitan Convenience and Samsoe, all contributing to strong organic revenue growth. We also acquired Front Systems, a leading provider of intuitive point of sale solutions for in-store use.

Within the utility and the energy market, we continued to consolidate the billing platforms in the Nordics. The acquisition of Swedish Zavann is an example of obtaining competences and products through the acquisition of a local competitor. In Finland, we acquired EnerKey which helps customers to reduce their energy consumption. In addition to extending our offering to existing utility customers, it enables us to support all our customers across verticals in meeting their climate focused initiatives.

Within the beauty and wellness space, we came closer to our customers who have been challenged by changing COVID-19 restrictions. When hairdressers were allowed to reopen in Denmark on 23 March, we saw more than 120,000 bookings in our systems within the first 24 hours, and we were happy to see that our systems could cope with this unprecedented number of bookings, allowing hairdressers to quickly get their calendars fully booked after the lock-down. In Norway, we strengthened our position in the hairdresser market by acquiring Easyupdate.

In August, we acquired InCom – an innovative Danish Proptech software company – further building on our position as a supplier of agile industry software for housing administration. Within Healthcare, we strengthened our market leading position in the Danish general practitioner market with the acquisition of Aver&Lauritzen.

These are just examples, but they all contribute to the fact that in 2021 we again reached an impressive revenue gross retention rate of 97% and a net retention rate of 103%. Let me take this opportunity to thank our loyal customers and the end-users who use our software daily to grow their business.

Optimising the EG Operating Model

Our customers are increasingly dependent on their core vertical software system, and they demand suppliers with a high level of professionalism and size to secure their operations. A key to EG's success in delivering business critical software across many different industries is our differentiated best-in-class operating model that drives scale and provides best practice across all our business units.

In 2021, we continued to roll out the EG Operating Model to more of our business units and further refined and optimised the model. With inspiration from all the strong practices in our businesses, we strengthened the software development, fulfillment and subscription management capabilities, so that now around 90,000+ subscriptions are being managed in our common ERP system. We now have 90+ agile teams working on our next generation agile development approach supported by our strong centre of excellence for software development in Warsaw. We also strengthened our internal onboarding team as part of our continued onboarding support.

Our relentless focus on constantly optimising the operating model and thereby allowing the business units to better serve their customers is paramount for our competitiveness and the very foundation for robust future growth.

Diversity and empowering business units

EG has for the last five years been committed to the UN Global Compact and we have continuously driven initiatives to ensure that we prioritise the the UN's sustainable development goals and that we are transparent in how we are progressing.

The biggest positive environmental impact we can have as a software company is to support our customers in achieving their climate ambitions. Our acquisition of EnerKey in 2021 gives EG the opportunity to support our over 26,000 customers in reducing their impact on the climate.

I am also proud that we have seen an increase in employee engagement in 2021. The improvements come from more clarity around our purpose and around where we are heading as a company. We also continue to have a female/ male diversity which is higher than the average in the tech industry. The diversity in customers we serve and in the culture and gender of our employees is one of EG's strengths. The more diverse perspectives we have, the more we will innovate and develop as a company.

Outlook for 2022

We enter 2022 with good momentum having closed four acquisitions in Q4 and another one on 1 February in 2022. We expect double-digit revenue growth in line with the 2021 growth level as we strengthen the capabilities of the EG Operating Model and continue to grow our subscription revenue organically. At EG we are looking forward to yet another year in which we strengthen our market positions and help our customers to improve their business.

Yours sincerely

Mikkel Bardram
CEO, EG A/S

Acquisitions in 2021

In addition to Organic Growth, EG seeks to strategically acquire businesses and software solutions to support our aim of becoming market leader in each of our key verticals across the Nordics. In 2021, EG acquired 12 businesses, in total adding revenue of DKK 287 million on an annual basis across all our key verticals.

Healthcare	Business Services	Construction	Retail & Wholesale	Utility	Public Sector	Industrials
Aver & Lauritzen July 2021 Denmark	**InCom** July 2021 Denmark	**PM El-beregning** April 2021 Denmark	**Front Systems** June 2021 Norway	**EnerKey** June 2021 Finland	**FrontAvenue** March 2021 Denmark	**Alystra** December 2021 Sweden
	Easyupdate March 2021 Norway	**Silverbucket** October 2021 Finland	**TRYGG/2000** December 2021 Sweden	**Zavann AB** August 2021 Sweden		
		Jydacom December 2021 Finland				

What is vertical software?

Vertical software is industry-specific solutions based on standard software applicable to multiple customers in a particular industry vertical. This type of software is fit-for-purpose and designed for seamless integration with other relevant IT systems, such as standard accounting and payroll systems, and in compliance with local regulations and requirements.

Vertical software offers **clear benefits to customers**:

- Effective, as development and maintenance costs are shared across customers using the same standard software platforms;
- Continuous upgrades, variable subscription costs and limited upfront investment; and
- Typically short implementation time.

EG in brief

Operating in the large, fast-growing and attractive Nordic vertical software market with solid underlying growth drivers, it is our mission to build market leading vertical software with a vision to enable customers to become industry leaders.

EG develops and delivers proprietary software-as-a-service (SaaS) solutions and other services across seven key verticals and 16 sub-verticals.

>90% of EG's revenue in 2021, is driven by top-3 SaaS vendor positions in key Verticals. We have developed our leading market position from decades of domain knowledge and experience, making us a trusted partner to our customers as we deliver mission-critical solutions for their operations daily, supported by our more than 1,500 employees.

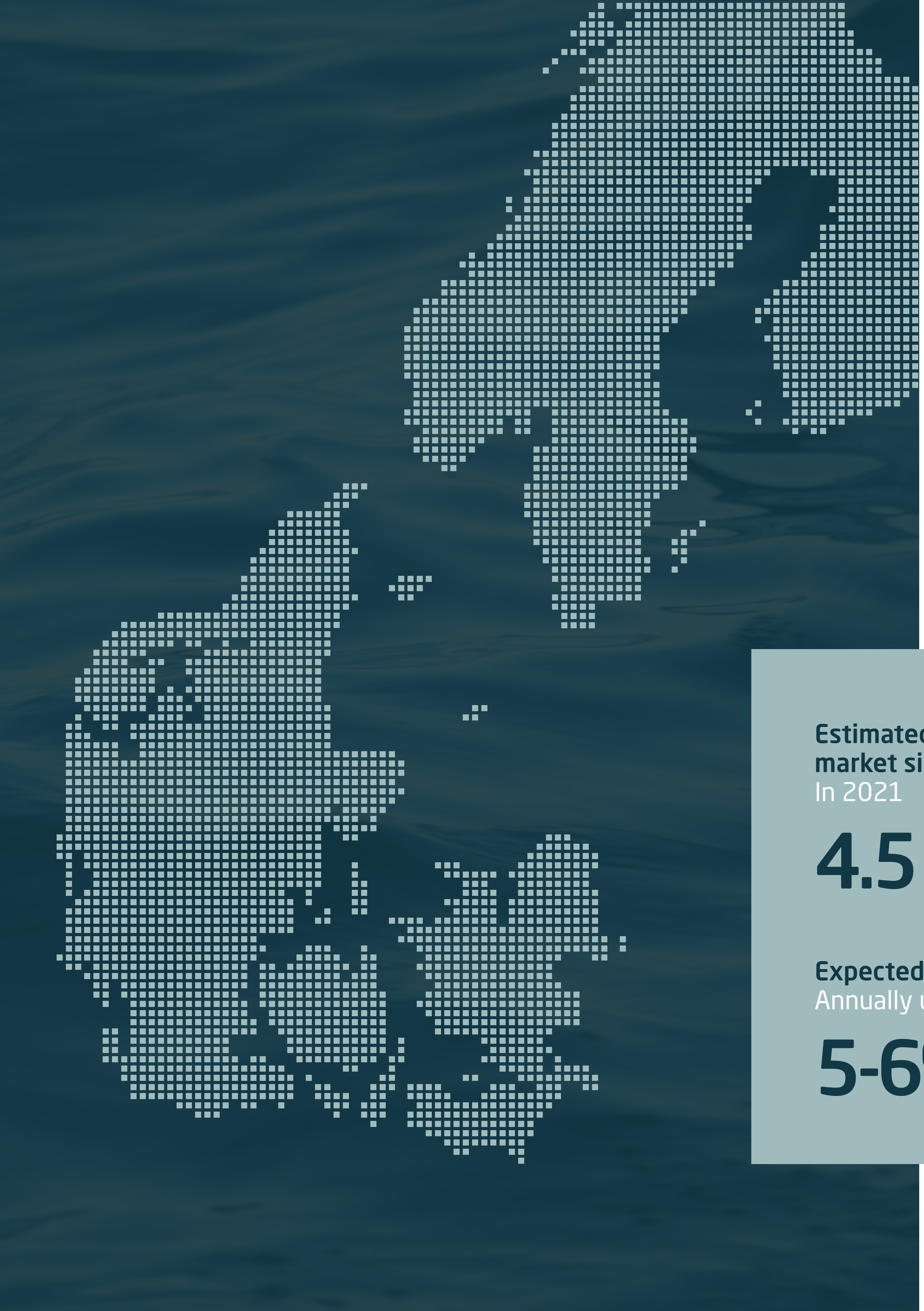
EG operates through independent business units within each of the seven key verticals. The business units are supported by the EG Operating Model, which allows EG to operate more efficiently by leveraging shared services and implementing best practice across the entire company.

A significant part of our sale consists of Recurring Revenue from subscriptions, which secures highly visible and predictable revenue streams. The share of Recurring Revenue has been growing steadily and accounted for 78% of total revenue in 2021. The high share of Recurring Revenue is partly driven by our ability to retain customers.

In addition to strong customer retention, we benefit from a highly diversified customer and revenue base with low customer concentration. We have more than 26,000 customers across the Nordic countries and several million end-users who we serve daily through our SaaS offerings.

EG has a track record of delivering strong growth in revenues and earnings, organically and through strategic acquisitions, underpinned by EG's strong market positions and continued favourable market trends.

Key Vertical	% of EG Revenues	Sub-Verticals
Retail & Wholesale	21%	DIY & Timber Fashion Retail
Construction	16%	Pre-Construction Planning / Cost Estimation / Operations & Maintenance
Business Services	12%	Beauty & Wellness Cemeteries & Churches Legal Housing
Healthcare	8%	GPs, Specialist Treatments / Clinics
Industrials	6%	Road Transport Manufacturing
Public	26%	Public Sector Payroll and Rostering Digital Welfare EdTech
Utilities	11%	Utilities (Electricity, Gas, Water) Energy Management Solutions (EMS)



Large and growing market

Estimated market size
In 2021

4.5 DKK billion

Expected growth
Annually until 2025

5-6%

The Nordic vertical software market is large and fragmented. The service available market in the Nordics within the seven key verticals in which EG is active was estimated to have a value of approx. DKK 4.5 billion in 2021. The market is expected to grow 5-6% annually until 2025, with some verticals growing faster than others.

The total addressable market in the Nordics, including geographies, software functionality, and customer groups in which EG is currently not active was estimated to have a value of approx. DKK 28 billion in 2021.

The strong growth in the Nordic vertical software market is driven by several key trends, such as the continued digitisation of manual processes, which is especially important for small and mid-sized enterprises, increasing demand for ease-of-use and flexibility of software and an increased focus on security and data governance.

The market has relatively high barriers to entry, driven by high product development costs, high customer acquisition costs and a need for local market knowledge and regulation. Many smaller vertical software suppliers are facing increasing complexity in terms of customer demand for digitisation and continuous innovation, technology challenges related to security and cloud delivery as well as increased regulations. Furthermore, the market is characterised by loyal customers due to a number of factors, including the business critical and specific nature of the solutions to the customers.

Strategic objectives

We believe the key to success is to maintain a strong focus on what is unique in each vertical market while at the same time drive scale within and across markets.

EG has set three strategic objectives that reflect this:

- Establish a number one market leadership position across our key verticals and sub-verticals;
- Achieve strong Organic Recurring Revenue Growth and
- Continue to achieve margin improvement as the business scales.

To achieve these objectives, we have set out the following strategic priorities.

Strengthen our market leading positions through organic growth

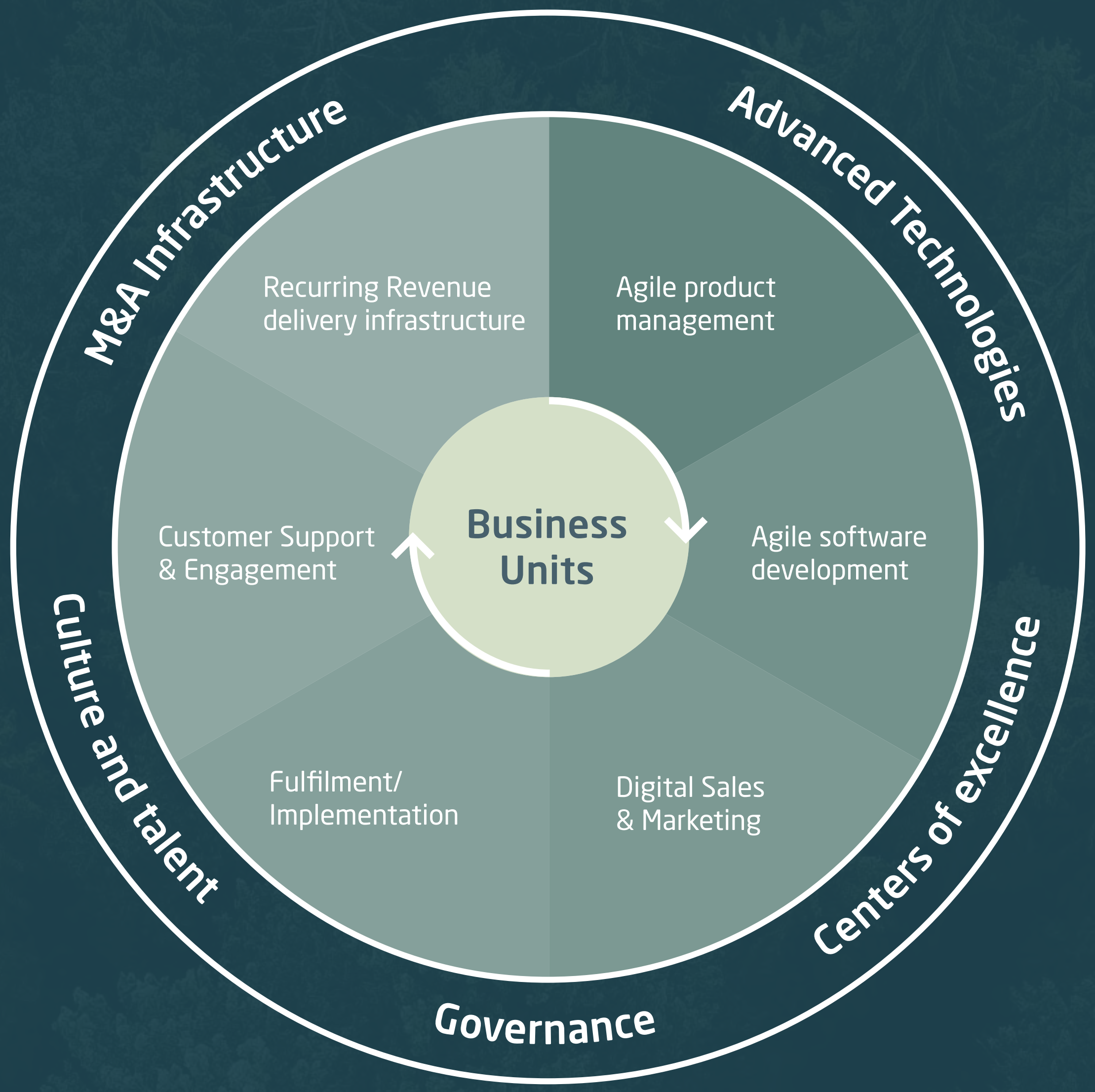
EG seeks to grow organically through investments into continuous product development and innovation with a focus on developing the best SaaS offering in each key verticals, based on specific domain knowledge and industry insights. In particular EG aims to drive Organic Recurring Revenue by leveraging the increasing pace of technological change and customer demand for digitalisation, and to exploit opportunities for upselling with additional features and add-ons.

Accelerate growth through strategic acquisitions

EG has a proven track record in strengthening market leading positions through strategic acquisitions, adding complementary products in adjacent and new vertical markets as well as scaling through geographic expansion. We believe that EG is a preferred consolidation platform amongst competitors, and we have carried out 23 acquisitions across all key verticals since June 2019 with operations across the Nordics – and there are plenty of opportunities to further consolidate the market in many of our key verticals.

EG's central M&A organisation supports business units in pursuing strategic acquisitions based on clearly defined acquisition criteria. Once acquired, targets are then rapidly integrated into the EG Operating Model, which enables acquired companies within the same key or sub-vertical to operate as one business, which leads to improved capital allocation, product offering and deeper domain expertise.

The EG Operating Model



The outer segments in this graphic represent the shared support functions, enabling the business units in the centre of the model to operate independently with full P&L ownership, whilst supported by EG's shared best practices.

Leverage the EG Operating Model to achieve scale, efficiency and share best practice

All business units operate on the EG Operating Model, which provides a common way of working, based on Group-wide tools, policies and processes, including agile product management, software development, digital sales and marketing, order fulfilment and implementation, customer support and engagement, and infrastructure for common pricing models and Recurring Revenue delivery.

By retaining individual responsibility for P&L, business units within each key vertical are empowered to perform independently and to make vertical specific decisions, such as hiring their own employees and making product-related commercial decisions driven by a focus on customer service whilst benefitting from the EG Operating Model.

These best practices and shared functions improve operational performance and drive growth, both in terms of revenue and profitability. The EG Operating Model also enables acquired companies to be onboarded quickly and efficiently finding the right balance between harmonisation and maintaining the uniqueness in each market.

Financial review

Financial performance

In 2021, EG generated a total Group revenue of DKK 1,755m, an increase of 22% compared to 2020. Recurring Revenue grew 27% and Organic Revenue Growth was 8% compared to 2020 measured in constant currencies. Recurring Revenue as a % of total Group revenue increased to 78.3% compared 75.1% in 2020.

EG generated an Adjusted EBITDA of DKK 576m in 2021. The Adjusted EBITDA margin increased to 32.8%, up from 30.4% in 2020.

Revenue

EG measures revenues from two main revenue streams that are categorised into Recurring Revenue and Non-Recurring Revenue: Subscription Revenues (Recurring Revenue) as well as Product Sales and Professional Services (Non-Recurring).

Subscription Revenues comprises contracts of a recurring nature with our customers, revenue from subscriptions, which includes all revenues from software subscriptions, maintenance and support agreements and hosting of EG's software solutions on its data centre platforms and related hardware sold as a service in relation to the software agreements.

Non-Recurring revenues consists mainly of Professional Services related to own software solutions, training and, to a smaller degree, Product Sales, including the sales of licences and hardware. Organic Recurring Revenue growth was 8% in 2021, and Total Organic Revenue Growth was 3% driven by declining Non-Recurring Revenue. The main focus of EG is to drive Organic Recurring Revenue Growth and increase the Recurring Revenue share as a % of total revenues.

EG generated DKK 1,375m of Recurring Revenue in 2021 compared with DKK 1,081m in 2020, an increase of DKK 294m or 27%. In 2021 Recurring Revenue as a % of total revenue increased 3.2pp compared to 2020 and ended at 78.3%.

The growth in Recurring Revenue was driven by growth from existing & new customers (Organic Growth) and growth from M&A (In-organic Growth).

EG's Organic Recurring Revenue Growth in 2021 was largely driven by new sales, upselling of new subscription-tied modules to existing customers and price increases.

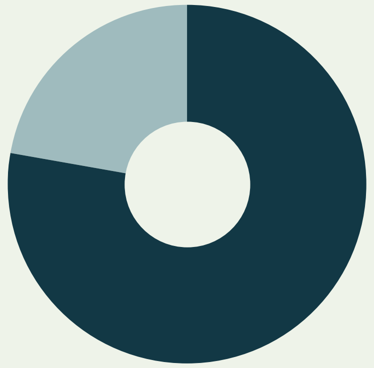
In 2021, EG's customer base again proved to be highly loyal, further enhancing EG's market leading position within individual verticals. Gross retention has increased and ended at 97% slightly higher compared to 2020.

In 2021, EG achieved an expansion of customers served and through this drive a further organic increase in Recurring Revenues. The increase in new customers was due to investment in product development and innovation and a dedicated sales effort and pipeline management. Sales to new customers were high, especially in the Utilities vertical, resulting in a 11% Organic Recurring Revenue Growth.

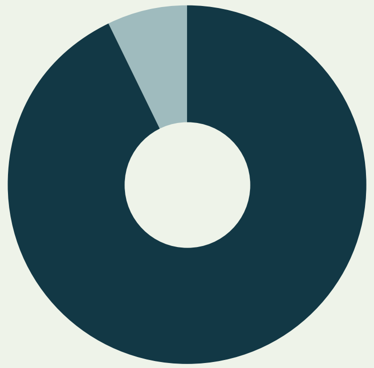
The In-organic Growth in 2021 is partially driven by a full year effect from the eight acquisitions signed during the financial year 2020, amounting to DKK 131m.

In addition, EG closed 12 new acquisitions in 2021. Those acquisitions added DKK 116m to the revenue, and DKK 287m to

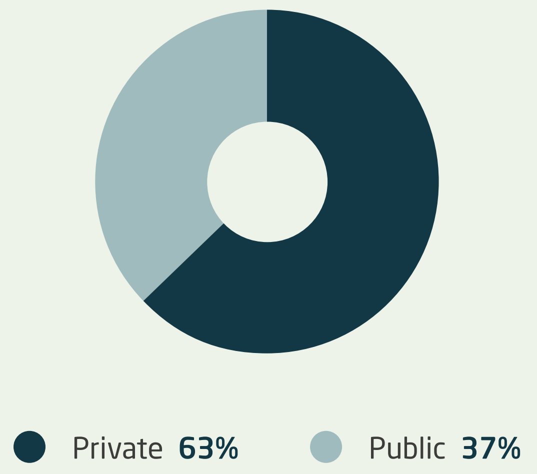
Revenue type distribution
DKK 1,755m



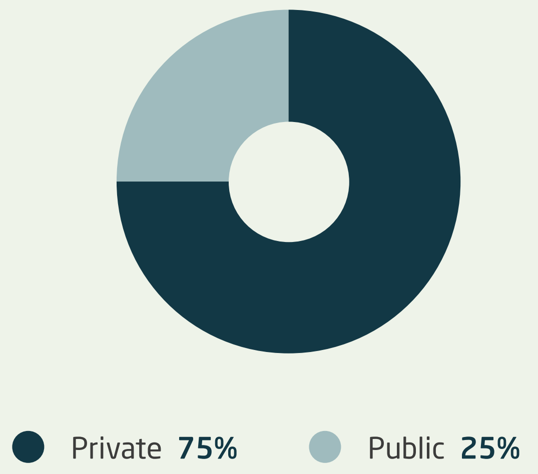
Growth distribution
DKK 315m



Revenue segment distribution
DKK 1,755m



Growth distribution
DKK 315m



Revenue by contry

DKKm	2021	2020	% Growth
Denmark	1.119	953	17%
Norway	418	326	28%
Sweden	137	129	6%
Finland	45	0	-
Other	36	32	14%
Total	**1.755**	**1.439**	**22%**

the full year Adjusted Revenue. The 2021 full year Adjusted Revenue ended at DKK 1,903m, and the 2021 full year Adjusted Recurring Revenue ended at DKK 1,489m.

In 2021, EG generated DKK 380m of Non-Recurring Revenue compared with DKK 358m in 2020, an increase of DKK 22m, or 6%. The Non-Recurring Revenues have in 2021 been negatively affected by the global supply chain bottlenecks, limiting the deliveries of e.g. terminals, tablets & computers, which in some verticals are part of the onboarding of new customers. In 2021, a shift was also seen in professional services, where contracts combining Software as a Service and implementation are entered into a greater degree, which in turn decreases up-front revenues from implementations deferred to the subsequent years.

The FX impact on revenues in 2021 was 1.4%. Appreciation of the average SEK/DKK 71.1 in 2020 to 73.3 in 2021 and appreciation of the average NOK/DKK 69.7 in 2020 to 73.2 in 2021 had a positive impact of DKK 24.2m on revenue development, corresponding to 1.4%.

Revenue by segments

Revenue from the Public segment increased by DKK 77m, or 14%, from DKK 564 m in 2020, to DKK 641m for 2021. This increase was driven by an increase in Recurring Revenue of 20%, and a decrease in Non-Recurring Revenue of 9%. Recurring Revenue made up 79,3% of total Public segment revenue for 2020, and 83,9% of total Public segment revenue for 2021.

Revenue from the Private segment increased by DKK 243m, or 28%, from DKK 871m for 2020, to DKK 1,114m for 2021. This increase was driven by an increase in Recurring Revenue of 32% from 2020 to 2021, and an increase in Non-Recurring Revenue of 17% from 2020 to 2021. Recurring Revenue made up 72,8% of total Private segment revenue for 2020. And 75,1% of total Private segment revenue 2021

Revenue distribution on geography & customers

The revenue in EG is distributed across the Nordics, with Denmark and Norway being the largest contributors to EG revenues. In 2021 EG expanded into Finland through three strategic acquisitions, entering into the Energy Management System market and expanding/adding to our construction offerings.

Customer concentration has decreased in 2021 due to further diversification across markets and higher share of business in the Private Segment where customer concentration is low.

Cost development

Total Operating cost increased by DKK 185m, or 18%, from DKK 1,024m in 2020, to DKK 1,211m in 2021, amounting to 68.7% of revenue, down 2.2pp compared to 2020. The increase was driven by cost from acquisition and the reduction in operating cost as % of revenue was supported by the higher share of recurring revenue and operational improvements.

The cost of providing services increased by DKK 29m, or 12%, from DKK 243m 2020, to DKK 272m for 2021, amounting to 15.5% of revenue, down 1.4pp. The increase in cost of providing services was primarily tied to the growth of the business, additional licence costs to drive the EG Operating Model and an increase in contracted staff from our nearshore centre in Poland.

Staff costs increased by DKK 106m, or 17%, from DKK 619m in 2020, to DKK 725m in 2021, amounting to 21.4% of revenue, down 1.3pp. The increase was primarily driven by an increase in FTEs from acquisitions FTEs from acquistions and is also increased due to investment in Group capabilities to support the Operating Model and future M&A growth.

Financial performance numbers for 2021

DKKm	Public	Private	EG Total
Recurring Revenue	538	837	1,375
Non-Recurring Revenue	103	277	380
Total Revenue	641	1,114	1,755
Organic Recurring Revenue Growth	7%	9%	8%
Revenue Growth	14%	28%	22%
Adjusted Revenue	679	1,224	1,903
EBITDA	171	373	544
Adjusted EBITDA			576

The average number of full-time employees increased by 184 or 16% from 1,176 in 2020 to 1,360 in 2021. The number of FTEs was 1,518 at the end of 2021 compared with 1,235 at the end of 2020, an increase of 284 employees.

Other Operating Income/Expenses increased by DKK 52m, or 27%, from DKK 162m 2020, to DKK 214m in 2021, amounting to 11.8% of revenue, up 0.5pp. The increase was driven by added cost from acquisitions, increased use of external consultants and cost-bounce back from COVID-19 related savings in 2020.

Earnings performance, EBITDA and adjusted EBITDA

EG's EBITDA was DKK 544m and Adjusted EBITDA was DKK 576m, corresponding to an adjusted EBITDA margin of 32.8%.

Compared to 2020 the Adjusted EBITDA increased DKK 138m and the margin increased 2.4pp. The margin expansion is driven by revenue growth in our recurring business, an increased share of business operations being in the Private segment and the implementation of the EG Operating Model. The Recurring Revenue Growth increases the share of our high margin recurring business compared to the margins in our non-recurring business, driving up overall margins. Further, we have optimised our operations through the implementation of the EG Operating Model.

Profit for the year and Adjusted Profit

Consolidated profit for the year amounted to negative DKK 239m. The result is impacted by financial costs, amortisations on acquisitions and Special Items.

Adjusted Profit for the year amounted to DKK 78m which excludes amortisations from acquisitions, share based payments and Special Items. Special items amounted to DKK 199m and included external costs related to acquisitions and Non-Recurring Costs arising from the implementation of the EG Operating Model. We are investing in the transformation of EG which is related to the implementation of our new EG Operating Model and the finalisation of the internal restructuring activities.

Balance sheet

Compared with 2020 Intangible assets increased by DKK 862m from DKK 5,235m to DKK 6,097m. Acquisitions added DKK 940m to intangible assets and increased internal development projects added DKK 148m.

Goodwill was DKK 3,765m end 2021 compared with DKK 3,138m end 2020.

The carrying amount of acquired software was DKK 355m compared with DKK 383m at the end of 2020 and the value of customer relationships was DKK 1,435m compared with DKK 1,235m at the end of 2020. The increases were mainly due to acquisitions, offset by amortisations.

Completed and development projects in progress amounted to DKK 413m end of 2021, up DKK 101m from 2020, EG remains committed to continue investing in its products, and expects the investment to follow the ordinary business growth.

Trade and other receivables increased from DKK 232m end of 2020, to DKK 330m end of 2021, the increase was mainly driven by the overall business growth and December 2021 customer payments received early January 2022.

EG's equity amounted to DKK 1,175m on 31 December 2021. This was a decrease of DKK 147m compared with end 2020. Equity was decreased by negative comprehensive income in 2021 DKK 208m.

By the beginning of 2021, EG had a non-current Gross Debt of DKK 3,335m, and remaining committed facilities of DKK 722m split on DKK 444m Revolving Credit Facility (RCF) and DKK 278m Acquisition Credit Facility (ACF). During 2021 we have drawn down DKK 783m to finance 12 acquisitions. Mid 2021 we increased the committed acquisition facility with an incremental facility of DKK 500m, end 2021 we had non-current Gross Debt of DKK 4,130m with the ACF and Incremental facilities fully drawn. Entering 2022 we have an available committed RCF with a remaining drawdown capacity of DKK 315m.

Cash flows

Management considers Adjusted Free Cash Flow as the relevant indicator for EG's underlying cash generation. Adjusted Free Cash Flow was DKK 305m compared with DKK 364m in 2020, a decrease of DKK 59m, driven by changes in net working capital. The Adjusted Free Cash Flow was positively impacted by improved EBITDA performance of DKK 129m, offset by a negative development in net working capital of DKK 168m compared to 2020. The negative change in net working capital was partly due to postponed payments of income taxes and social charges related to COVID-19 support schemes and December 2021 customer payments received early January 2022.

Cash flows from operating activities generated a net cash inflow of DKK 275m versus DKK 385m in 2020, driven by the negative net working capital.

There was a net cash outflow of DKK 1,077m from investing activities compared with DKK 918m in 2020. The higher amount in 2021 was due to DKK 892m used for acquisitions offset by a decline in the investments in intangible assets and the divesture of IT Minds to Visma DKK 103m (presented as discontinued operations).

Purchases of intangible assets and property, plant and equipment were DKK 185m in 2021 compared to DKK 186m in 2020. EG's investments in intangible assets primarily comprised capitalised development cost of DKK 148m, as investment in products and services continued. DKK 19m was invested in tangible assets, while purchase of licensing rights made up DKK 18m. There was a net cash inflow of DKK 483m from financing activities compared with DKK 537m in 2020. The level in 2021 was driven by debt drawdown for the 12 acquisitions made in 2021, offset by interest payments.

Financial expectations and results for 2021

In the 2020 Annual Report, EG announced that the 2021 expectations for revenue growth before additional M&A was 10-15% and Adjusted EBITDA margin would be either on a level or slightly improved compared to the 2020 Adjusted EBITDA margin level of 30.4%.

With the 8% Organic Growth in Recurring Revenue we delivered revenue growth of 14% before new M&A. We continued to have momentum in our M&A activities with 8% additional sales leading to the total growth of 22%. The higher Organic Growth in Recurring Revenue supported by accelerated margin improvement in the acquisitions made in 2019 and 2020 and the benefits from the EG Operating Model contributed positively to the development in our EBITDA margin resulting in the margin development to be more than slightly above the 2020 level.

Events after the reporting date

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

2022 outlook

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

Business combinations

On 1 February, the acquisition of UNOIT ApS was closed in the Public segment (Public Vertical) adding DKK 11m of full year adjusted revenue to EG.

On 1 April, the acquisition of Ajour System A/S was closed in the Private segment (Construction Vertical) adding DKK 26m of full year adjusted revenue to EG.

Segmental highlights

Private segment

In 2021, we have continued our growth trajectory with a constant focus on our Recurring Revenue across all units. The key elements in achieving this have been delivering new and improved modules and functionality to our existing customers, winning new customers and through pursuing our acquisition strategy. Revenue grew by 28% to DKK 1,114 million while reported EBITDA was DKK 373 million, representing an increase of 26% vs. 2020. Despite COVID-19, the Private division has proven the robustness of our Recurring Revenue base which grew organically by 9% in 2021.

New products and modules

To be able to maintain and even increase our market leading positions, we have invested a significant number of hours in developing new modules and functionality to our customers. Our product roadmaps are created in close cooperation with our customers and market experts, and in 2021 we have seen the launch of many new modules. A few examples are the launch of ADDIO – a new solution for supporting the funeral homes; an updated sales app and sales desk module for both our Danish and Norwegian market for Timber/DIY customers; and additional functionality for the Danish general practitioners to support all new legislation and data requirements within this sector. In the retail sector, we have taken a new strategic position to be the preferred partner for retail chains. We continued our growth journey by signing and implementing several new large retail chains in Scandinavia.

Acquisitions

2021 has also been a year where we have seen an increased demand for consolidating the market and we have made several acquisitions to support this within our:

- Healthcare Vertical. We acquired Aver&Lauritzen, delivering solutions for the Danish GP's. This acquisition has further increased our position within this sector.
- Beauty and Wellness Sub-Vertical. We acquired the Norwegian company EasyUpdate, delivering solutions for the Norwegian hairdressers. Combined with the 2020 acquisition of HANO (also Norwegian) and our existing Danish Hairtools solution, we are now the combined market leader across the Nordics for the Beauty and Wellness Sub-Vertical.

Organic Recurring Revenue Growth
Private

9%

Organic Recurring Revenue Growth
Public

7%

- Housing Sub-Vertical. We acquired InCom, who has been a strong partner for us for many years. Combined with our existing EG Bolig solution and the 2020 acquisition of Prosedo we have improved and extended our portfolio of offerings for the sector.
- Transport Sub-Vertical. We acquired Alystra, delivering transportation solutions for the Swedish market. We are merging Alystra with our strong EG Transport solution to create an even stronger market offering for both existing and new customers.
- DIY & Timber Sub-Vertical. We acquired Trygg2000 in Sweden, delivering solutions for the Timber/DIY sector. Within this sector we can see an increased consolidation within our customer base across the Nordics, and by combining Trygg2000 with our existing market leading solutions in both the Norwegian and Danish market, we are strengthening our ability to support this.
- Retail Vertical. We acquired the Norwegian company Front Systems AS, adding a complementary and market leading "best of breed" unified commerce solution to our portfolio, also handling mid-tier retail chains. With the acquisition of Front Systems AS, we also entered the Danish market, and during 2021, we have both signed and implemented some large Danish retail chains. We invested heavily into development of new solutions and functionality that will be continued in 2022 according to the ongoing changes within consumer behavior and retail to support the seamless omni-channel experience based on consumers' preferences.
- Last but not least, we have strengthened our position in the Danish Construction Vertical with the acquisition of the Danish Company PM El-beregning, offering calculation solutions for electricians. We continued our Nordic expansion entering Finland by the acquisition of Silverbucket and Jydacom, giving us a strong position within the Construction industry in Finland. Silverbucket has a cloud-based project and resource management solution for large companies. Jydacom is a market leading provider of project, time management and cost calculation solutions to a large portion of the largest construction companies in Finland. During autumn 2021, we launched the EG Construction Site and Smartkalk in Denmark.

Public segment

In the Public segment, we realised a significant growth in our subscription services, which grew organically by 7% in 2021, however the overall revenue growth was moderate. The increase in subscription revenue is due to several up sell and new sales in all Key Verticals, whereas activity in professional services was lower than previous year following the strategic aim of selling SaaS solutions. Cost levels in general was lower than expected, driven by operational efficiencies from the transformation activities initiated in 2020, which had a positive impact on the result. EBITDA was DKK 171 million representing an increase of 43% compared to 2020.

New customers & implementation of legal requirements

For the Public segment we have successfully won new customers in Central Government, Municipalities and Regions with all our applications. The products have been implemented during 2021 and we will start to see the benefits in 2022. We have renewed contracts that where up for renewal which gives us a good foundation for 2022. Implementation of the new Danish holiday law in our payroll application has also been a focus area and has required further R&D investment.

Active utility market

For the Utility Vertical we have seen a positive development in Recurring Revenue exceeding last year by 11%. Furthermore, the project-based business has been very busy with upgrade and implementation projects on all major product lines. We still see a very active market for both Customer Information System and Energy Management System solutions and expect to see a continuation of this in 2022.

Acquisitions

With the acquisition of Front Avenue, Enerkey and Zavann we have added further market shares and product capabilities to the portfolio and already within 2021, we have seen a positive effect of these acquisitions.

Environmental, Social and Governance

As a leading Nordic vertical software company with both public and private customers EG 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 has for the last five years been committed to the UN Global Compact and has continuously been driving initiatives to ensure that UN's sustainable development goals are prioritised while bring transparent of the progress.

EG wants to be:
- A climate positive software company;
- A diverse and unified world class working place; and
- An honest, trusted, and accountable software company.

In the following are brief introductions to EG's work on the environmental and social parts of the ESG, followed by a more detailed introduction to how EG works with governance.

For more details on environmental and social initiatives and objectives, please read the full ESG Report 2021, which also includes progress on the commitment to the UN Global Compact and statutory corporate social responsibility report required under section 99a of the Danish Financial Statements Act. The ESG Report 2021 can be found at www.eg.dk/esg-report.

Environmental

EG wants to be climate positive by 2030. In 2021, EG implemented an Environmental Policy, and continued work on reducing the carbon footprint e.g. by using CO_2-neutral energy from renewable sources at all locations in Denmark.

EG also supports customers' efforts to limit their environmental footprint by reducing consumption and waste. For that purpose, the acquisition of the Finnish greentech company EnerKey in 2021 was ideal.

About EG EnerKey

EG EnerKey is a market leading provider of Sustainability and Energy Management Systems (SEMS) in Finland, which by the use of artificial intelligence and machine learning enables customers to monitor, track and optimise energy consumption in order to focus on sustainability, reduce consumption, lower costs and ultimately reduce the customer's carbon footprint.

EG EnerKey has more than 1,500 customers in Finland, and it is the intention to roll out the solution to customers across the Nordic region.

Social

EG wants to be a diverse and unified world class working place. The need for and competition for qualified talent is global, and employees must be offered an attractive, diverse, and healthy working environment. In 2021, EG implemented a Health & Safety Policy as well as a Code of Conduct for both employees and business partners.

EG believes a diverse workforce brings many advantages to the organisation and is crucial in order to develop and deliver viable digital solutions for a diverse world. As of 2020, the under-represented gender in EG was female and constituted 34% of the workforce, which is higher than the general IT industry average of 26% in the countries where EG operates. However, EG strives to reach 40% by 2024. The share of female managers in EG was 39% in 2021.

As part of EG's Diversity and Non-discrimination Policy the Board of Directors has determined target figures for the under-represented gender on the Board of Directors. The target is to have two female members on the Board of Directors by 2024. In 2021 the number of female members on the Board of Directors was one.

In extension to EG's Diversity and Non-discrimination Policy, EG has adopted four goals for diversity and non-discrimination:

1. As a workplace, EG strives to exceed the gender balance within the IT industry;
2. Equal opportunities for leadership at all levels for men and women;
3. EG will pay employees equal salaries for equal work regardless of gender; and
4. EG wants a workplace free from discrimination, harassment and victimisation.

EG is on track with the goals that is set out and will continue to implement actions to support the goals in 2022.

EG remains focused on employee well-being and satisfaction, and again in 2021 improved the Employee Engagement score. The improvements are related to transparency of EG's strategy and future and from targeted initiatives in teams where improvements could be made. In 2021, the Employee Engagement score rose to 7.7 on a scale ranging from 1 to 10.

Corporate governance

EG wants to be an honest, trusted, and accountable software company. EG has long term customer relationships and deliver business critical applications to customers. Protecting data from criminal abuse and any other unintended use or disclosure is an uncompromising priority for EG.

EG wants to be a trusted data partner, and pursues that goal being an honest, reliable, and accountable software company.

EG handles customer, production, and behavioral data that the company itself collects and uses with profound respect for national and international regulations and the data owners, i.e. customers, business partners, users, and employees. EG does not buy data from other companies or data brokers nor use data from social media without consent from the owners.

In order to make EG's position clear EG has adopted a Data Ethics Policy that outlines principles on transparency, accountability, and equality.

The solutions developed should equally benefit the companies facilitated and the users of the solutions, harming none of them in any way. When EG designs and develops solutions, consequences for customers, users, and society are constantly evaluated, applying the mindset of privacy by design and privacy by default.

EG's Vendor Approval Board approves new suppliers based on commercial, legal, and technological evaluations. At the annual strategy session for all business units, new industry technologies such as AI and their significance for each specific vertical are identified and discussed.

Business partners must treat data belonging to EG or EG's customers with confidentiality and protect it against unauthorised use, unlawful processing, accidental loss, destruction, damage, alteration, or disclosure, and comply with national and international regulations.

Employees must read and accept EG's Data Ethics Policy, which is part of the internal awareness program including subject matter training and testing.

EG's Data Ethics Policy can be found at www.eg.dk. EG also implemented a GDPR Handbook for employees.

It is important for EG to exercise good corporate governance and in that connection to comply with statutory requirements and, as deemed relevant to EG, the Corporate Governance Recommendations.

EG has a two-tier governance structure consisting of the Board of Directors and the Executive Management. The two bodies are separate and have no overlapping members. The Board of Directors determines the overall strategy and acts as a sparring partner to the Executive Management, which is responsible for the operational management of EG. The Executive Management has established a Corporate Management composed of 10 members, including the Executive Management.

The Board of Directors consists of 6 members and represents broad international business experience and competencies considered to be relevant for EG A/S. 3 of the members were appointed by the principal shareholder Francisco Partners, 3 are regarded as independent.

The Board of Directors plans to hold 7 meetings yearly and extraordinary meetings when required.

The Board of Directors has set up an audit committee, a remuneration & nomination committee, and M&A committee. The purpose of the committees is to prepare decisions to be made by the Board of Directors.

On an annual basis, the Board of Directors conducts an evaluation of the effectiveness, performance, achievements, and competencies of the Board of Directors, including an evaluation of the performance of each individual board member and of the cooperation with the Executive Management.

EG A/S is owned by Francisco Partners.

Board of Directors

Klaus Holse
Chairperson

Personal and educational background
Born 1961. Danish citizen, Graduate Diploma in Business Administration from Copenhagen Business School and a Master of Science in Computer Science from University of Copenhagen.

Career and directorships
Klaus Holse has held the position of Chairperson and member of the Board of Directors of EG A/S since 15 September 2021 as well as in the period from 1 October 2013 until 3 June 2019.

Klaus Holse is currently also Chairperson of the Board of Directors of Zenegy ApS, SuperOffice AS and Tink AB as well as member of the Board of Directors of Better Collective A/S (listed on Nasdaq Stockholm) and Vice Chairman of the Confederation of Danish Industry (DI). In the past five years, Klaus Holse has been Chairperson of the Board of Directors of Delegate A/S, Lessor Group ApS and the Scandinavian ApS. Klaus Holse is currently also an executive officer at Khaboom ApS. In the past five years, Klaus Holse has also been Chief Executive Officer of SIMCORP A/S.

Independence
Regarded as independent.

Petri Oksanen
Vice Chairperson

Personal and educational background
Born 1980, Canadian citizen, B.A.Sc. with Joint Honours in Computer Engineering and Economics with Distinction from the University of Waterloo.

Career and directorships
Vice Chairperson and member of the Board of Directors since 26 November 2021. Petri Oksanen has held the position of executive officer of the Company from 2 April 2019 until 26 November 2021.

Petri Oksanen is currently also Chairperson of the Board of Directors of Keyloop (UK) Ltd. as well as member of the Board of Directors of nShift Group AS and Vendavo Inc. In the past five years, Petri Oksanen has been the Chairperson of the Board of Directors of Vendavo Inc. and Consignor AS as well as member of the Board of Directors of Plex Systems, Inc., ByBox Holdings Ltd., Prometheus Group LLC and ClickSoftware Technologies. Petri Oksanen is a partner with Francisco Partners and prior to joining Francisco Partners worked at Morgan Stanley in their Technology Investment Banking group in Menlo Park, California.

Independence
Not regarded as independent.

Quentin Lathuille
Board member

Personal and educational background
Born 1990, French Citizen, Master of Science in Business Administration and Finance from ESCP-Europe, Paris and a Master of Science in Engineering from Centrale Supélec, Paris.

Career and directorships
Member of the Board of Directors since 26 November 2021. Quentin Lathuille has held the position of member of the Board of Directors of EG A/S since 3 June 2019.

Quentin Lathuille is currently also member of the Board of Directors of Keyloop Ltd. and SintecMedia Ltd. (d/b/a Operative). In the past five years, Quentin Lathuille has been member of the Board of Directors of BluJay Solutions Ltd. Quentin Lathuille is also a Vice President at Francisco Partners. Prior to joining Franscisco Partners, Quentin Lathuille was part of Morgan Stanley's Investment Banking Division in London, with a focus on the Technology sector.

Independence
Not regarded as independent.

Michael William Barry

Board member

Personal and educational background

Born 1957, US Citizen, Michael Barry holds a Bachelor of Science in Electrical Engineering from the University of Texas, Austin.

Career and directorships

Member of the Board of Directors since 26 November 2021. Michael Barry has held the position of member of the Board of Directors of EG A/S since 1 June 2020.

Michael Barry is currently also member of the Board of Directors of Keyloop Ltd. and Senegal Ventures, LLC (d/b/a Senegal Software). Michael Barry is a senior operating partner with Francisco Partners Consulting, which provides operational consulting services to the funds managed by Francisco Partners and their portfolio companies. Prior to that, Michael Barry was Executive Vice President of R&D and Product Management at Aderant. In the past five years, Michael Barry has been Chief Technology Officer of Renaissance Learning, Inc., Operative (a part of Sintec Media NYC, Inc.), Chief Executive Officer of Optanix, Inc. and Chief Technology Officer Cloud R&D, Gateways and Cloud Operations of Verifone, Inc.

Independence

Not regarded as independent.

Jane Wiis

Board member

Personal and educational background

Born 1964, Danish Citizen, Master of Science in Political Science from Aarhus University.

Career and directorships

Member of the Board of Directors since 26 November 2021. Jane Wiis has held the position of member of the Board of Directors of EG A/S since 1 June 2020.

Jane Wiis is currently also member of the Board of Directors of Andel Lumen A/S. Jane Wiis is also the Chief Executive Officer of DBC Digital A/S. In the past five years, Jane Wiis has been the Chief Executive Officer of Slagelse Kommune and Professional Director of the National Association of Local Authorities in Denmark (Kommunernes Landsforening).

Independence

Regarded as independent.

Carsten Nygaard Knudsen

Board member

Personal and educational background

Born 1961, Danish Citizen, Graduate in Business Administration from Aarhus School of Business and an MBA from IESE Business School, Barcelona.

Career and directorships

Member of the Board of Directors since 26 November 2021. Carsten Knudsen has held the position of member of the Board of Directors of EG A/S since 2 September 2019.

Carsten Knudsen is currently also Chairperson of the Board of Directors of Titan Containers A/S, Titan Storage Solutions A/S, G.S.V Holding A/S, G.S.V Materialeudlejning A/S, Stibo A/S, M&J Danmark A/S og M&J Recycling Group ApS as well as member of the Board of Directors of Lyngsoe Systems A/S and Lyngsoe Systems Holding A/S. In the past five years, Carsten Knudsen has been Chairperson of the Board of Directors of Stibo DX A/S, Stibo Complete A/S, Stibo Systems A/S, Stibo Graphic A/S, Glunz & Jensen A/S, Glunz & Jensen Holding A/S (listed on Nasdaq Copenhagen), Tresu Investment Holding A/S, Tresu Group Holding A/S, Color Print A/S, Black Topco ApS, Dane Topco ApS and Selandia Park A/S.

Independence

Regarded as independent.

Executive Management

Mikkel Bardram
Chief Executive Officer

Employed since 2016
Present position held since 2016

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 Executive Board of the company since 26 November 2021. Mikkel Bardram has held the position of Chief Executive Officer in EG A/S since 1 November 2016. 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.

Henrik Hansen
Chief Financial Officer

Employed since 2018
Present position held since 2018

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 Executive Board of the company since 26 November 2021. Henrik Hansen has held the position of Chief Financial Officer in EG A/S since 1 January 2018.

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. Previous to Icopal, Henrik held finance position within Treasury Management at TDC and the Supply Chain area at Novozymes.

Corporate Management

Includes Executive Management

Michael Moyell Juel
Executive Vice President, EG Private

Born 1974
Employed since 2022
Present position held since 2022

Erik Tomren
Executive Vice President, EG Private

Born 1975
Employed since 2019
Present position held since 2019

Johnny Iversen
Executive Vice President, EG Public

Born 1974
Employed since 2012
Present position held since 2017

Allan Bech
CTO

Born 1977
Employed since 2012
Present position held since 2019

Mikkel Bardram
CEO

Born 1976
Employed since 2016
Present position held since 2016

Henrik Hansen
CFO

Born 1974
Employed since 2018
Present position held since 2018

Tina Bodin
Head of HR

Born 1972
Employed since 2000
Present position held since 2005

Jacob Buchardt
Head of Corporate PMO

Born 1976
Employed since 2017
Present position held since 2017

Nina Maj Fjordvald
Head of Marketing & Communications

Born 1981
Employed since 2019
Present position held since 2019

Björn Martinsson
Head of Corporate Strategy & M&A

Born 1972
Employed since 2020
Present position held since 2020

Risk Management

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

At EG, risk management consists of an integrated four-phased working procedure;

- identifying risks in both internal and external environments;
- assessing risks in terms of likelihood and strategic, financial and operational impact;
- identify, assess, plan and execute mitigating actions;
- identifying, assessing, planning and executing mitigating actions;

For financial risk refer to note 3.4. Financial risk management.

Emerging changes

The Nordic market for vertical software is exposed to rapid technological change, frequent new product introductions, changing customer requirements, evolving industry standards and regulatory changes. EG is subject to risks of not being able to continuously develop and implement software solutions that address the rapidly evolving market for industry specific software solutions. To mitigate the risk, EG is constantly monitoring emerging and evolving trends in industry standards and technological solutions, as well as new laws and regulations that it has to comply with. EG have implemented a central R&D function ensuring best practice processes across the organisation so we can be certain that, through state-of-the-art software products and industry solutions, we can deliver the latest technologies to our customers and meet their demands and requirements. The best practice processes also include continuous training of employees' technical skills and mindset.

IT systems and cyber threats

In order to operate its business and to serve its customers, EG must maintain continuous IT and data centre operations to host both EG's internal IT systems, as well as the software solutions delivered to customers. Damage or interruption to the IT systems from various external factors, such as power failure, fire and cyber threats, are a risk to EG. In particular, cyber threats present a risk of attacks in which hackers gain access to systems or data with the intention of locking, harming, destroying or collecting sensitive data. This could lead to interruptions, delays or shutdowns, potentially causing harm to EG.

EG constantly seeks to improve its IT security setup to ensure that a high level of security is maintained at all times. EG has invested in a central security team to provide overview of the IT systems landscape with a vulnerability scan system followed by a response team and plan which is able to respond to cyber-attacks. Further, EG also conducts security scanning and assessments of the security systems of strategic vendors and acquisition targets.

People and talent risks

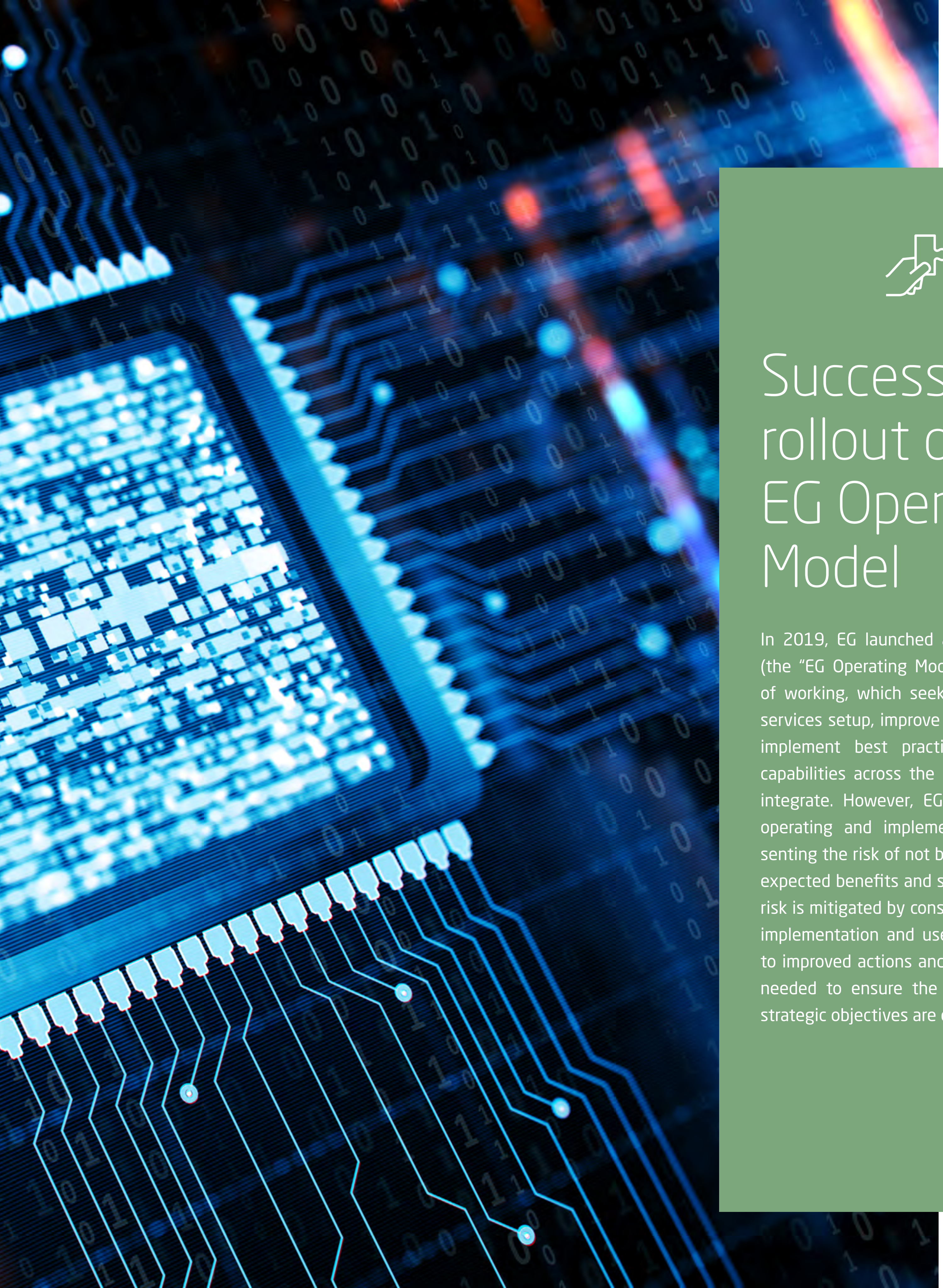
A prerequisite for continued growth is ongoing development of new solutions that require appropriate professional skills. In the IT industry, competition with respect to attracting the right skills and a lack of qualified applicants represents a risk factor. The competition challenges our ability to attract and retain employees at commercially favourable terms, leading to pressure on salaries, which is EG's single largest expense category.

In order to attract and retain employees, EG remains focused on employee well-being and satisfaction, which is supported by regular performance interviews and a quarterly employee survey.

Successfully implementing our M&A strategy

In accordance with its strategy, EG has a proven track record of strategic acquisitions and software investment. However there is no assurance that EG will continue to be able to identify suitable targets for acquisitions, or for the price to be commercially favourable. The competition to successfully find strategically attractive targets in the Nordic region is intense and is expected to remain so in the future. If the M&A strategy is to be successful, EG must be able to raise cash to finance its capital needs. This could lead to additional debt and interest costs, presenting the risk of not being able to finance the acquisitions on favourable terms. Further EG is exposed to risks when integrating acquisitions and investments into the organisation and EG's Operating Model in order to realise the expected synergies.

These risks are mitigated by engaging in-house-professional skills and external advisers.



Successful rollout of the EG Operating Model

In 2019, EG launched a new operating model (the "EG Operating Model"), as a common way of working, which seeks to leverage a shared services setup, improve operational efficiencies, implement best practices technologies, and capabilities across the organisation and better integrate. However, EG has limited history in operating and implementing the model, presenting the risk of not being able to capture the expected benefits and strategic objectives. This risk is mitigated by constantly learning from the implementation and use of the model, leading to improved actions and investments whenever needed to ensure the expected benefits and strategic objectives are captured.

Public sector customers

EG has a large share of public-sector customers and, given the general attention to public-sector IT solutions, non-compliance in terms of quality and deadlines is a special risk factor. A priority area is project risk factors and how best to mitigate these risks for entities within EG and for our customers. The risk factors are evaluated during the sales phase when the project is signed off for handover and in relation to milestones for monitoring project progress. Furthermore, the Public tenders are a competitors, presenting the risk of EG not being able to win new tender contracts and re-tenders of current contracts.

Other risks

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

Financial statements

Contents

Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

DKK million	Note	2021	2020
Revenue	1.2	**1,755**	**1,439**
Costs of providing services		272	243
Staff costs	1.6	725	619
Other operating expenses		241	178
Other operating income		27	16
EBITDA		**544**	**415**
Depreciation, amortisation and impairment		155	136
Acquisition related amortisations		205	189
Special items	2.5	199	126
EBIT		**(15)**	**(36)**
Finance income	3.3	0	1
Finance costs	3.3	292	249
Profit/(Loss) before tax		**(307)**	**(284)**
Income tax	1.8	0	6
Profit/(Loss) from continuing operations		**(307)**	**(278)**
Profit from discotinued operations	2.2	68	10
Profit/(Loss) for the year		**(239)**	**(268)**
Other comprehensive income			
Items that may be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign subsidiaries		31	(13)
Other comprehensive income		**31**	**(13)**
Total comprehensive income for the year, net of tax		**(208)**	**(281)**

Consolidated balance sheet

DKK million	Note	2021	2020
ASSETS			
Intangible assets	2.3	6,097	5,235
Property, plant and equipment	2.4	25	25
Right-of-use assets	2.4	123	125
Deferred tax assets	1.9	7	5
Non-current assets		**6,252**	**5,390**
Inventory		12	5
Trade and other receivables	1.4	330	232
Contract assets	1.3	76	28
Prepayments		34	32
Income tax receivable		0	5
Cash and cash equivalents	3.2	78	135
Assets held for sale	2.2	0	60
Current assets		**530**	**497**
Total assets		**6,782**	**5,887**
EQUITY AND LIABILITIES			
Share capital	3.1	50	0
Translation reserve		17	(14)
Retained earnings		1,108	1,336
Total equity		**1,175**	**1,322**
Deferred tax liabilities	1.9	451	433
Borrowings	3.2	4,051	3,250
Lease liabilities	3.2	95	112
Non-current liabilities		**4,597**	**3,795**
Bank loans	3.2	128	0
Lease liabilities	3.2	39	27
Contract liabilities	1.3	51	24
Trade and other payables		182	118
Payables to group companies		41	16
Income tax		54	5
Other liabilities	4.4	377	427
Deferred income	1.5	121	133
Liabilities relating to assets held for sale	2.2	17	20
Current liabilities		**1,010**	**770**
Equity and liabilities		**6,782**	**5,887**

Consolidated statement of changes in equity

DKK million	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January 2021	**0**	**(14)**	**1,293**	**1,279**
Change of interpretation of accounting policy	0	0	(15)	(15)
Adjustments to prior year	0	0	58	58
New equity at 1 January 2021	**0**	**(14)**	**1,336**	**1,322**
Total comprehensive income for the year	**0**	**31**	**(239)**	**(208)**
Group contribution	0	0	29	29
Capital increase	50	0	(50)	0
Share-based payment	0	0	32	32
Transaction with owners	**50**	**0**	**11**	**61**
Equity at 31 December 2021	**50**	**17**	**1,108**	**1,175**

DKK million	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January 2020	**0**	**(1)**	**1,433**	**1,432**
Adjustments to prior year	0	0	(172)	(172)
New equity at 1 January 2020	0	(1)	1,261	1,260
Total comprehensive income for the year	0	(13)	(268)	(281)
Group contribution	0	0	323	323
Other adjustments	0	0	(3)	(3)
Share-based payment	0	0	23	23
Transaction with owners	**0**	**0**	**343**	**343**
Equity at 31 December 2020	**0**	**(14)**	**1,336**	**1,322**

Consolidated statement of cash flows

For the year ended 31 December 2021

DKK million	Note	2021	2020
Cash flow from operating activities			
EBITDA		544	415
Adjustments	4.6	(169)	(89)
Change in working capital	4.5	(88)	80
Income tax paid		(12)	(21)
Cash flow from operating activities, continuing operations		**275**	**385**
Cash flow from operating activities, discontinued operations	2.2	**2**	**17**
Cash flow from investing activities			
Purchase of intangible assets and property, plant and equipment		(185)	(168)
Sale of property, plant and equipment		0	20
Acquisitions	2.1	(892)	(770)
Cash flow from investing activities, continuing operations		**(1,077)**	**(918)**
Cash flow from investing activities, discontinued operations	2.2	**103**	**0**
Cash flow from financing activities			
Proceeds from non-current borrowings		758	535
Interest received		0	1
Interest paid		(264)	(289)
Repayment of lease liabilities		(40)	(33)
Group contributions		29	323
Cash flow from financing activities, continuing operations		**483**	**537**
Cash flow from financing activities, discontinued operations	2.2	**0**	**0**
Change in cash flow for the year		(214)	21
Cash and cash equivalents at 1 January		164	143
Effects of exchange rate changes of cash and cash equivalents		0	0
Cash and cash equivalents at 31 December, continuing operations		**(50)**	**135**
Cash and cash equivalents at 31 December, discontinued operations		**0**	**29**

There has been a non-cash movement in financing activity amounting to DKK 0 million, regarding acquisitions.

§ 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 EBITDA, operating profit or loss adjusted for non-cash operating items, changes in working capital 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, interest etc. received and paid 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.

Section 1

Operating activities and tax

This section provides information related to EG's operating activities and tax.

In this section:

Note 1.1 – Segment information

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 of the 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 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	171	120
Private	373	295
EBITDA	**544**	**415**

Reconciliation to operating profit before tax

DKK million	2021	2020
EBITDA	544	415
Depreciation, amortisation and impairment	(155)	(137)
Acquisition-related amortisations	(205)	(188)
Special items	(199)	(126)
Finance costs, net	(292)	(248)
Profit before tax from continuing operations	**(307)**	**(284)**

Non-current assets

The total of non-current assets other than financial instruments by location of assets, is shown below:

DKK million	2021	2020
Denmark (country of domicile)	4,864	4,835
Sweden	198	32
Norway	727	523
Finland	447	0
Other	15	1
Total	**6,252**	**5,390**

§ 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.

Note 1.2 – Revenue

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	Other	Total
2021				
Recurring	837	538	0	1,375
Non-recurring	277	103	0	380
Revenue	**1,114**	**641**	**0**	**1,755**
EBITDA	**373**	**171**	**0**	**544**
2020				
Recurring	634	447	0	1,081
Non-recurring	237	117	4	358
Revenue	**871**	**564**	**4**	**1,439**
EBITDA	**295**	**120**	**0**	**415**

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 a 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

Outstanding performance obligations

Future cashflow is positively affected by a number of multi-year contracts. The outstanding performance obligations resulting from these contracts amounted to DKK 350 million as of 31 December 2021 (2020: DKK 503 million). The average contract performance period is estimated at at 3 years, and the maximum remaining term is 9 years.

Management expects that 44% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2021 will be recognised as revenue in 2022. The amount disclosed does not include variable consideration.

As permitted under IFRS 15, the transaction price related to short-term contracts (term of 12 months or less) is not included in the outstanding performance obligation.

Of the total contract liabilities of DKK 24 million in 2020 (2019: DKK 30 million), DKK 24 million has been recognised as revenue in 2021 (2020: DKK 17 million).

Revenue

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

DKK million	2021	2020
Denmark	1,119	953
Norway	418	326
Sweden	137	129
Finland	45	0
Other	36	32
Total	**1,755**	**1,439**

§ Significant accounting estimates

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 deviations. The results of the individual assessments and follow-up are also used to estimate expected credit losses on projects

Note 1.2 – Revenue (continued)

§ 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.

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 consultancy 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.

Note 1.3 – 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 of 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	28	14
Costs to fulfil contracts	48	14
Contract assets	**76**	**28**
Prepayments from customers	(51)	(24)
Contract liabilities	**(51)**	**(24)**

Note 1.4 – Trade receivables, other receivables and credit risk

DKK million	2021	2020
Gross carrying amount	287	200
Loss allowance	(9)	(6)
Transferred to assets held for sale	0	(15)
Trade receivables	**278**	**179**
Deposits	11	14
Other receivables	41	39
Other receivables	**52**	**53**
Trade and other receivables	**330**	**232**

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.

Loss allowance for trade receivables and contract assets

DKK million	2021	2020
Loss allowance 1 January	(6)	(5)
Write-off	3	2
Increase	(6)	(3)
Loss allowance at 31 December	**(9)**	**(6)**

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	174	81	13	19	287
Loss allowance	0	0	0	(9)	(9)
Carrying amount	**174**	**81**	**13**	**10**	**278**
2020					
Gross carrying amount of trade receivables	150	34	9	7	200
Transferred to assets held for sale	(12)	(2)	(1)	0	(15)
Loss allowance	0	0	0	(6)	(6)
Carrying amount	**138**	**32**	**8**	**1**	**179**

§ 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 affecting 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.

Note 1.5 – Deferred income

DKK million	2021	2020
Accrued customer payments	121	125
Other accruals	0	9
Transferred to liabilities held for sale	0	(1)
Total	**121**	**133**

§ 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.

Note 1.6 – Staff costs and remuneration to key management personnel

DKK million	2021	2020
Average number of employees	1,360	1,176
Wages and salaries	655	576
Defined contribution plans	52	51
Performance-based bonus	48	38
Share-based payments	32	23
Other social security costs	47	29
Staff costs before capitalisation	**834**	**717**
Work carried out for own account and capitalised	(109)	(98)
Total	**725**	**619**

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 EG has an equity-settled incentive programme, cf. note 1.7 – Share-based payments.

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 of EG is presented below. The Board of Directors and Executive Board in EG A/S was not remunerated in EG A/S for the entire year. The remuneration to the Board of Directors and the Executive Board of EG Group A/S incurred by EG is represented 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	0	1	0
Share-based payments	7	4	7	4
Total	**14**	**6**	**15**	**5**

§ 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.

Note 1.7 – 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
- The majority 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 31.9 million, hereof DKK 0 million recognised in EG Group A/S (Parent Company).

Number of granted warrants:

1 January 2021	23,295,267
Forfeited	(228,231)
Granted	3,197,670
Exercised	0
31 December 2021	**26,264,706**
1 January 2020	17,897,960
Forfeited	(384,826)
Granted	5,782,133
Exercised	0
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).

§ Accounting policy

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 time 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 of time).

The total expense is recognised over the vesting period, which is the period over which all of 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.

§ Significant accounting estimates

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.

Note 1.8 – Income tax

DKK million	2021	2020
Current tax on profit for the year	(51)	(16)
Prior-year adjustment	(2)	(1)
Prior-year adjustment deferred tax	(2)	0
Adjustment of deferred tax	55	23
Tax on profit for the year	**0**	**6**
Effective tax rate for the year (%)		
Income tax rate in Denmark	22%	22%
Difference between Danish and foreign tax rates	0%	0%
Tax on profit for the year	**22%**	**22%**
Other permanent items including limitation of interest deductibility	(22)%	(15)%
Valuation allowance	0%	(6)%
Effective tax rate for the year	**0%**	**1%**
Profit before tax	(307)	(284)
Effective tax rate	0%	1%
Tax expense	0	6
Profit after tax	**(307)**	**(278)**

§ 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 evaluates 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.

Note 1.9 – Deferred tax

DKK million	2021	2020
Deferred tax		
Intangible assets	458	436
Property, plant and equipment	14	16
Current assets	6	7
Deferred income, liabilities	(19)	(7)
Debt and other liabilities	(7)	(23)
Tax losses	(1)	(1)
Deferred tax liabilities	**451**	**433**
Deferred tax asset	**7**	**5**
The year's change in deferred tax may be specified as follows		
Deferred tax for the year recognised in result of continuing operations	(55)	(23)
Prior-year adjustment deferred tax	2	(1)
Additions from business combinations	65	86
Divestments business combinations	(2)	0
Exchange rate adjustment	6	(7)
Total	**16**	**55**

§ Accounting policy

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.

§ Significant accounting judgements

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.

Section 2

Strategic acquisitions and business

This section provides information related to carried out strategic acquisitions and business development.

In this section:

Note 2.1 – Acquisitions

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

In 2021, EG completed 12 acquisitions (2020: 8). All of these have strengthened EG's offerings in our existing vertical markets.

Contributed revenues and net profit from the acquisition dates are specified below. As an effect of performed mergers and acquisitions of activities, disaggregation of revenue and profit before tax amounts cannot be compiled reliably and therefore not specified.

Company/Activity	Country	Acquisition date	Revenue	Profit after tax
FrontAvenue A/S	Denmark	31 March	Merged with EG Danmark A/S	
Easy Update AS	Norway	31 March	13	5
PM El-Beregning ApS	Denmark	29 April	Merged with EG Danmark A/S	
Front Systems AS	Norway	1 June	20	5
EnerKey Group Oy	Finland	2 June	32	(2)
InCom ApS	Denmark	1 July	10	4
Aver & Lauritzen ApS	Denmark	1 July	5	1
Zavann AB	Sweden	2 August	9	2
Silverbucket Oy	Finland	1 October	3	0
Jydacom Oy	Finland	1 December	6	1
Alystra (Activity)	Sweden	1 December	Part of EG Retail AB	
TRYGG/2000 (Activity)	Sweden	1 December	Part of EG Retail AB	
			98	**15**

EnerKey Group Oy

On 2 June 2021, EG acquired 100% of the shares in EnerKey Group Oy, a software company in Finland, with an estimated annual revenue of DKK 55 million. The purchase price is based on the provisionally determined fair values of net assets. Purchase price allocation is specified below.

Jydacom Oy

On 1 December 2021, EG acquired 100% of the shares in Jydacom Oy, a software company in Finland, with an estimated annual revenue of DKK 61 million. The purchase price is based on the provisionally determined fair values of net assets. The purchase price allocation is specified below.

Details of the purchase consideration, the assets acquired, and goodwill are as follows:

DKK million	EnerKey Group Oy	Jydacom Oy	Other	2021	2020
Customer relationship	102	43	155	300	348
Licensing rights	10	6	21	37	53
Other assets	(53)	6	22	(25)	21
Deferred tax	(19)	(10)	(33)	(62)	(90)
Net identifiable assets acquired	40	45	165	250	332
Goodwill	73	159	363	595	489
Total consideration	**113**	**204**	**528**	**845**	**821**
Purchase of activity and share capital	**113**	**204**	**528**	**845**	**821**
Cash	17	1	37	55	51
Debt settled in connection to acquisitions	(63)	0	0	(63)	0
Settlement of accrued purchase price	0	0	(39)	(39)	0
Net outflow of cash - investing activities	**159**	**203**	**530**	**892**	**770**

Note 2.1 – Acquisitions (continued)

Contingent consideration

Total consideration includes contingent consideration of DKK 0 million (2020: DKK 18 million). The contingent consideration is based on the expectation that certain revenue targets are achieved over a period of 1-2 years.

Goodwill

Goodwill is attributable to well-positioned software businesses and consist of know-how, skilled assembled workforces and buyer synergies which will add commercial and technical expertise and features when upgrading EG's product offerings, which do not qualify for recognition as separate assets.

Acquisition-related costs

Acquisition-related costs of DKK 32 million (2020: DKK 30 million) are included in Special items in profit or loss and in operating cash flows in the statement of cash flows.

Proforma revenue and profit after tax

If the acquisitions had occurred on 1 January 2021, pro-forma revenue and profit after tax would have been DKK 228 million (2020: DKK 259 million) and DKK 21 million (2020: DKK 53 million), respectively, for acquisitions not merged and excluding activity acquisitions. Pro forma amounts have been calculated using the subsidiary's results adjusted for: 1) differences in the accounting policies between EG and the subsidiary, and 2) depreciation/amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the tax effect.

Note 2.1 – Acquisitions (continued)

§ Significant accounting estimates

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)

§ Accounting policy

Business combinations are accounted for using the acquisition method. The cost of a business combination comprises the fair value of the consideration agreed upon, including the fair value of any consideration contingent on future events.

The acquired entity's identifiable assets liabilities and contingent liabilities are measured initially at their fair value at the acquisition date.

The unallocated purchase price (positive amount) is recognised in the statement of financial position as goodwill and allocated to EG's cash generating units.

The identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity, and the comparative figures are restated accordingly if the amount is material.

Changes in estimates of contingent considerations are recognised in the income statement under special items, unless they qualify for recognition directly in equity.

Acquisition-related costs are expensed as incurred and are included in special items.

Note 2.2 – Discontinued operations and assets held for sale

During 2020, the Management of EG decided to initiate an active programme to locate a buyer for IT Minds ApS in order to sell the company and ensure an aligned portfolio of subsidiaries. IT Minds' operations comprised consulting services within digitisation for the Nordic region's largest companies. The company operated outside EG's segments.

As a consequence of the plan to sell IT Minds ApS, it was reclassified to discontinued operations (assets held for sale) in 2020 and it was disclosed as assets held for sale in a separate line item in balance sheet and profit or loss. As of 14 March 2021, EG has sold the subsidiary IT Minds ApS to Visma.

Profit from discontinued operations

DKK million	2021	2020
Revenue	22	94
Costs of providing services	0	(1)
Staff cost	(18)	(74)
Other income	66	0
Other operating costs	(2)	(8)
Operating profit (EBIT)	**68**	**11**
Finance income, net	0	2
Profit before tax	**68**	**13**
Income tax	0	(3)
Profit from discontinued activities	**68**	**10**
Cash flows from discontinued operations		
Cash flows from operating activities	2	17
Cash flows from investing activities	103	0
Cash flows from financing activities	(17)	(29)
Total cash flows	**88**	**(12)**

Assets and liabilities held for sale

DKK million	2021	2020
Intangible assets	0	14
Receivables	0	17
Cash and cash equivalents	0	29
Assets held for sale	**0**	**60**
Trade and other payables	17	20
Liabilities held for sale	**17**	**20**

§ Accounting policy

A discontinued operation represents a significant business area or geographical area that is part of a plan to dispose of such segment or operation, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated financial statements.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale rather than through continuing use and a sale is considered highly probable. Immediately before classification as held for sale, they are remeasured in accordance with EG's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in profit or loss and disclosed in the notes.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Non-current assets held for sale are presented separately as current assets. Liabilities directly related to the assets are presented as current liabilities.

Note 2.3 – Intangible assets

DKK million	Goodwill	Order backlog	Customer relationship	Trademark	Other	Licensing rights	Completed development projects	Development projects in progress	Total
2021									
Cost									
At 1 January	3,131	43	1,358	187	4	457	270	185	5,635
Adjustment to 1 January regarding new accounting policy	0	0	0	0	0	0	0	(19)	(19)
New cost at 1 January	**3,131**	**43**	**1,358**	**187**	**4**	**457**	**270**	**166**	**5,616**
Exchange rate adjustment	40	0	15	2	0	5	12	0	74
Acquisitions regarding business combination	595	0	300	7	0	37	0	0	939
Transfers between groups	0	0	0	0	0	0	73	(73)	0
Additions	0	0	0	0	0	18	0	148	166
At 31 December	**3,766**	**43**	**1,673**	**196**	**4**	**517**	**355**	**241**	**6,795**
Amortisation and impairment									
At 1 January	(1)	(15)	(128)	(55)	1	(74)	(88)	(21)	(381)
Exchange rate adjustment	0	0	(7)	(2)	0	(4)	(2)	0	(15)
Amortisation, continued operations	0	(6)	(103)	(35)	(2)	(84)	(72)	0	(302)
At 31 December	**(1)**	**(21)**	**(238)**	**(92)**	**(1)**	**(162)**	**(162)**	**(21)**	**(698)**
Carrying amount at 31 December	**3,765**	**22**	**1,435**	**104**	**3**	**355**	**193**	**220**	**6,097**

Note 2.3 – Intangible assets (continued)

DKK million	Goodwill	Order backlog	Customer relationship	Trademark	Other	Licensing rights	Completed development projects	Development projects in progress	Total
2020									
Cost									
At 1 January	2,852	43	1,038	164	1	448	128	147	4,820
Adjustment to 1 January regarding merger	(172)	0	0	0	0	0	0	0	(172)
New cost at 1 January	**2,680**	**43**	**1,038**	**164**	**1**	**448**	**128**	**147**	**4,648**
Exchange rate adjustment	(12)	0	(9)	(1)	0	(9)	7	(8)	(32)
Acquisitions regarding business combination	493	0	348	24	0	56	19	28	969
Reclassifications	0	0	0	0	0	0	109	(109)	0
Additions	0	0	0	0	4	2	7	121	134
Transfers to assets held for sale	(8)	0	(11)	0	0	0	0	0	(19)
Disposals	(20)	0	(9)	0	(1)	(41)	0	(13)	(84)
At 31 December	**3,131**	**43**	**1,358**	**187**	**4**	**457**	**270**	**166**	**5,616**
Amortisation and impairment									
At 1 January	(8)	(10)	(50)	(20)	0	(31)	(39)	(28)	(184)
Amortisation, continued operations	0	(5)	(91)	(35)	0	(84)	(49)	0	(265)
Amortisation, discontinued operations	0	0	(1)	0	0	0	0	0	(1)
Transfers to assets held for sale	0	0	5	0	0	0	0	0	5
Disposals	7	0	9	0	1	41	0	6	64
At 31 December	**(1)**	**(15)**	**(128)**	**(55)**	**1**	**(74)**	**(88)**	**(21)**	**(381)**
Carrying amount at 31 December	**3,130**	**28**	**1,229**	**133**	**5**	**383**	**184**	**145**	**5,235**

Note 2.3 – Intangible assets (continued)

In 2021, the impairment tests of intangible assets with indefinite 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

	Goodwill		Customer relationships		Licensing rights	
DKK million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Private I	1,661	1,517	748	750	96	111
Private II	899	592	361	260	102	114
Public	1,205	1,021	326	219	157	158
Total	**3,765**	**3,130**	**1,435**	**1,229**	**355**	**383**

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.

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

Note 2.3 – Intangible assets (continued)

Development projects

Recognised development projects completed or in progress primarily include the development of EG's proprietary software solutions.

EG currently develops a new payroll platform which has a modular design and once completed it will be delivered to customers within the Public segment. The modules can be individually selected and each one solve specific requirements with the EG customer. Booked value of the development is DKK 145 million at year end 2021.

The project is currently under development and recognised as development projects in progress.

Management has tested recognised development costs for impairment and estimates that the recoverable amount exceeds the carrying amount at 31 December 2021. Cash flows have been estimated based on a 12-month budget period and a projection for the next 48 months.

Other intangible assets

Other intangible assets primarily comprise customer relationships. Management has tested recognised other intangible assets for impairment and estimates that the recoverable amount exceeds the carrying amount at 31 December 2021.

§ Significant accounting estimates

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.

Note 2.3 – Intangible assets (continued)

§ Accounting policy

Goodwill

On initial recognition, goodwill is measured as described in note 2.1 “Acquisitions”. 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.

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 relationships	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.

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

Note 2.4 – Property, plant and equipment and leases

DKK million	Land and buildings	Plant, machinery, IT equipment	Total
2021			
Cost			
At 1 January	175	58	233
Acquisitions from business combination	1	0	1
Additions	34	25	59
Disposals	(58)	(12)	(70)
At 31 December	**152**	**71**	**223**
Depreciation and impairment			
At 1 January	(55)	(29)	(84)
Depreciation	(37)	(21)	(58)
Disposals	55	12	67
At 31 December	**(37)**	**(38)**	**(75)**
Carrying amount at 31 December	**115**	**33**	**148**
Hereoff right-of-use assets	**115**	**8**	**123**

DKK million	Land and buildings	Plant, machinery, IT equipment	Total
2020			
Cost			
At 1 January	178	40	218
Adjustments regarding reclassifications	(4)	0	(4)
Acquisitions from business combination	13	3	16
Additions	23	19	42
Disposals	(35)	(4)	(39)
At 31 December	**175**	**58**	**233**
Depreciation and impairment			
At 1 January	(26)	(12)	(37)
Adjustments regarding reclassifications	(8)	0	(8)
Depreciation	(38)	(17)	(55)
Disposals	17	0	17
At 31 December	**(55)**	**(29)**	**(84)**
Carrying amount at 31 December	**120**	**29**	**150**
Hereoff right-of-use assets	**119**	**6**	**125**

Additions to right-of-use assets

Additions to the right-of-use assets in 2021 were DKK 40 million (2020: DKK 28 million).

Lease-related costs recognised in profit or loss

DKK million	2021	2020
Depreciations:		
Land and buildings, etc.	37	38
Plant, machinery, IT equipment	6	5
Interest expense (incl. in Finance costs)	6	6
Short term leases	0	1
Total	**49**	**50**

The total cash outflow for leases in 2021 was DKK 44 million (2020: DKK 39 million).

Lease liability

The carrying amount of the lease liabilities recognised in the balance sheet is disclosed in Note 3.2 – Borrowings.

Note 2.4 – Property, plant and equipment and leases (continued)

§ Significant accounting judgements

Lease term

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.

§ 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.

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 2.3 – 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, cf. note 2.3

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.

Note 2.5 – Special items

DKK million	2021	2020
M&A and Divestments related cost	67	31
Restructuring	10	27
Transformations	122	68
Total	**199**	**126**

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 18 million (2020: DKK 14 million)
- Other operating expenses: DKK 178 million (2020: DKK 112 million).

§ Significant accounting judgements

Management assesses which items are to be identified as special items and shown separately, in order to give a correct presentation of the statement of profit or loss and other comprehensive income.

§ 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.

Section 3

Equity and financing

This section provides information related to internal and external financing facilities.

In this section:

Note 3.1 – Equity

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.

Share capital

	2021		
	Number of shares	**at DKK**	**Share capital (DKK million)**
The share capital consists of	50,000,000	1	50

	2020		
	Number of shares	**at DKK**	**Share capital (DKK million)**
The share capital consists of	50,630	1	0

§ 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.

Share capital 5 year movement	**2021**	**2020**	**2019**	**2018**	**2017**
Beginning of year	0	0	0	0	0
Capital increase	50	0	0	0	0
End of year	**50**	**0**	**0**	**0**	**0**

Note 3.2 – Borrowings

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

DKK million	Current	Non-current	2021	Current	Non-current	2020
Bank loans	128	4,051	4,179	0	3,250	3,250
Lease liabilities	39	95	134	27	112	139
Total	**167**	**4,146**	**4,313**	**27**	**3,362**	**3,389**
Cash and cash equivalents	78	0	78	164	0	164
Transferred to assets held for sale	0	0	0	(29)	0	(29)
Net debt	**89**	**4,146**	**4,235**	**(108)**	**3,362**	**3,254**

Debt arising from financing obligations

DKK million	2021	2020
Beginning of the year	3,389	2,858
Change in accounting policies	0	0
Repayments	(18)	(33)
New loans	798	563
Exchange rate adjustments	16	1
Year end	**4,185**	**3,389**

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

New loans includes DKK 40 million regarding lease liabilities relating to right-of-use assets (2019: DKK 28 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 4,110 million. (2020: DKK 2,416 million).

§ 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.

Note 3.3 – Finance income and costs

DKK million	2021	2020
Other	0	1
Finance income	**0**	**1**
Interest paid to group entities	(1)	0
Interest on borrowings	(253)	(212)
Net foreign exchange gains/losses	(12)	(19)
Amortisation of borrowing costs	(18)	(10)
Other	(8)	(8)
Finance costs	**(292)**	**(249)**
Total	**(292)**	**(248)**

Capitalised borrowing costs for the year were DKK 19 million (2020: DKK 29 million).

Note 3.4 – Financial risk management

EG is exposed to a number of 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 into 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 1.4 - Trade receivables, other receivables and credit risk.

EG's exposure to credit risk related to bank deposits and cash and cash equivalents was DKK (50) million at 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 in order to meet obligations related to EG's ongoing financing of operations, including refinancing and debt.

Group treasury monitors the available liquidity on the basis of 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. At 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. At 31 December 2021, EG's free cash flow was DKK 90 million. In 2021, free cash flow was affected negatively by DKK 200 million recognised as special items which is non-recurring by nature. The adjusted free cash flow of DKK 305 million is considered adequate to meet future contractual obligations when due.

Undrawn credit facilities amount to DKK 390 million.

Contractual maturities for financial liabilities

(DKK million)	Carrying amount	Total	0-1 year	1-2 years	2-5 years	>5 years
2021						
Borrowings incl. interest	4,051	5.169	263	263	4,643	0
Lease liabilities	134	134	39	39	49	7
Trade and other payables	182	182	182	0	0	0
Other liabilities	398	398	398	0	0	0
Transferred to liabilities held for sale	(17)	(17)	(17)	0	0	0
Financial liabilities	**4,748**	**5,866**	**865**	**302**	**4,692**	**7**
2020						
Borrowings incl. interest	3,250	4,528	213	213	639	3,463
Lease liabilities	138	144	32	27	48	37
Trade and other payables	137	137	137	0	0	0
Other liabilities	190	190	190	0	0	0
Transferred to liabilities held for sale	(16)	(16)	(16)	0	0	0
Financial liabilities	**3,699**	**4,983**	**556**	**240**	**687**	**3,500**

The amounts disclosed are the contractual undiscounted cash flows (i.e. including expected interest payments estimated based on market expectations at 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.

Note 3.4 – Financial risk management (continued)

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. However, EUR is not considered a currency risk due to the Danish Nationalbank peg to the 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 that 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 31 million (2020: DKK (13) million).

EG's borrowings 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 3.3, Finance income and finance costs.

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 cash flow interest rate risk. All of EG's borrowings carry variable interest rates.

EG 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, NOK, SEK and EUR.

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 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 as a result of changes in interest rates. An increase of 1%-point in relevant interest rates would have decreased profit or loss by DKK 41 million (2020: DKK 33 million). The estimate is based on EG's loans and borrowings with variable interest rates and assuming all other variables remain constant.

31 December 2021 (DKK million)	Carrying amount	Maturity	Currency	Effective interest
Borrowings, variable	4,051	2026	Multi	3 - 7 %
Leasing, floating	134	2022 - 2027	Multi	3 - 5 %
Cash in hand	(50)	-	Multi	-

31 December 2020 (DKK million)	Carrying amount	Maturity	Currency	Effective interest
Borrowings, variable	3,250	2026	Multi	3 - 7 %
Leasing, floating	138	2021 - 2027	Multi	3 - 5 %
Cash in hand	135	-	Multi	-

Fair value of borrowings amounts to DKK 4,110 million. (2020: DKK 2,416 million)
Cash in hand includes current debt to bank resulting from cash pool DKK 128 million (2020: DKK 0 million).

Note 3.5 – Financial assets and liabilities

DKK million	2021	2020	Fair value
Financial assets at amortised costs			
Trade receivables and other receivables	330	232	Due to the short-term nature of the assets, the carrying amount approximate their fair value.
Cash and cash equivalents	78	135	
Total	**408**	**367**	
Financial liabilities at amortised cost			
Borrowings	4,179	3,250	The fair values of borrowings and lease liabilities are not materially different from their carrying amounts, since the interest payable is close to current market rates.
Lease liabilities	134	138	
Payables to group companies	41	16	
Trade and other payables	182	118	
Other liabilities	377	427	For other financial liabilities, the fair values approximate their carrying amount due to the short-term nature of the items.
Total	**4,913**	**3,949**	

Section 4

Other disclosure requirements

This section provides information related to disclosures not covered by previous sections.

In this section:

Note 4.1 – Related parties

DKK million	2021	2020
Related party debt, parent companies	41	19
Transferred to liabilities held for sale	0	(3)
Related party debt	**41**	**16**

Shareholder over 5% of the total share capital	
Lancelot UK Finco Limited	100%

Parent and ultimate controlling party

EG A/S's parent is Lancelot UK Finco Ltd., London.

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

Subsidiaries

EG's interests in subsidiaries are set out in note 5.3 - Group structure.

No other transactions were carried out during the year with subsidiaries with the exception of intra-group transactions eliminated in the consolidated financial statements.

Transactions are made on market terms.

Key management personnel

The Board of Directors and the Executive Board are considered EG'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 1.6 - Staff costs and remuneration of key management personnel.

Other related parties

EG'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.

Note 4.2 – Fee to auditors

DKK million	2021	2020
Total fees to statutory auditor:		
PwC		
Statutory audit	5	2
Other assurance services	2	2
Tax advisory services	3	3
Other non-audit services	24	13
Total	**34**	**20**

Note 4.3 – Contingent liabilities and other financial liabilities

EG 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 and subsidiaries act as guarantors of loans for the entity EG Midco ApS.

Subject to common law, assets amounting to DKK 6,782 million are pledged as security for non-current borrowings to banks amounting to DKK 4,051 million.

EG 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's financial position.

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

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

EG's rental obligations during the period of non-terminability fall due:

DKK million	2021	2020
Bank guarantees	3	2
Total	**3**	**2**

EG is a party to contracts where few customers could have a potential claim due to delivery delays in the development of a new system. The potential compensation is uncertain and Management does not expect the risk to imply a material negative effect on EG's financial position.

Note 4.4 – Other liabilities

DKK million	2021	2020
Accrued holiday pay	114	106
VAT payable	40	52
Payroll tax etc. payable	42	59
Accrued interest	39	33
Other	159	190
Transferred to liabilities held for sale	(17)	(12)
Total	**377**	**427**

Note 4.5 – Change in working capital

DKK million	2021	2020
Change in inventories	(5)	1
Change in trade and other receivables	(71)	107
Change in trade and other payables	(28)	(51)
Change in other prepayments and other liabilities	16	23
Total	**(88)**	**80**

Note 4.6 – Adjustments

DKK million	2021	2020
Special items	(199)	(126)
Adjustments regarding funds flow	0	14
Profit from sale of property, plant and equipment	(2)	0
Share-based payments	32	23
Total	**(169)**	**(89)**

Note 4.7 – Subsequent events

Subsequent business combinations

The acquisition of UNOIT ApS were completed on 1 February 2022. This acquisition has strengthened EG's offerings in the existing vertical markets. UNOIT ApS fits well into EG - delivering market leading software based on a deep understanding of the customers.

UNOIT ApS offers software that handles public educational guidance for citizens aged 12 - 24 years for the Danish municipalities. UNOIT and the related software are a perfect match for EG and the current study management solution, EG LUDUS Suite.

Other Subsequent events

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

Section 5

Basis of preparation

This section provides information related to how the annual report has been prepared.

In this section:

Note 5.1 – Significant accounting estimates and judgements

The preparation of these consolidated financial statements requires Management to make various estimates, assumptions and judgements concerning future events that affect the reported values of assets and liabilities and income and expenses at the reporting date as well as disclosures. While these estimates are based on management's best knowledge of current events and actions, the actual results may differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis.

Note	Item	Estimates	Judgements
1.1	Revenue	x	
1.7	Share based payment	x	
1.9	Deferred tax		x
2.1	Acquisitions	x	
2.3	Intangible assets	x	
2.4	Property, plant and equipment and leases		x

Note 5.2 – General accounting policies

The consolidated financial statements comprise EG A/S and its subsidiaries (collectively, EG).

A summary of significant accounting policies adopted in the preparation of these consolidated financial statements have been disclosed in the relevant notes. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Compliance with IFRS

The consolidated financial statements of EG have been prepared 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.

Historical cost

The consolidated financial statements have been prepared on a historical cost basis, except for assets held for sale measured at the lower of carrying amount and fair value less costs to sell.

New and amended standards and interpretations

EG 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 capitalisation: 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 for development in progress, special items, 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 5.2 – General accounting policies (continued)

Adjustment to balances

A wrongful recognition of Group contribution has been identified with in the balances of 2020. The wrongful recognition has no effect on the profit and loss. Comparative figures for intercompany and equity have been restated with DKK 58 million.

Principles of consolidation

Subsidiaries are all entities over which EG has control. EG controls an entity where EG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to EG and deconsolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by EG.

Foreign currency translation

Items included in the consolidated financial statements of each of EG's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Danish kroner (DKK), which is EG's functional currency.

All values are rounded to the nearest DKK '000, unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses arising from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss under finance income or cost.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

On consolidation of foreign entities with functional currencies other than the presentation currency, profit or loss items are translated into the presentation currency at the exchange rate at the transaction date, and balance sheet items are translated at the exchange rate at the reporting date. Average exchange rates are used as the exchange rate at the transaction date unless it deviates significantly from actual exchange rates. In that case, the actual exchange rates are used. All resulting foreign exchange adjustments are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on acquisitions of foreign entities are treated as assets and liabilities of the foreign entity and translated at the reporting rate.

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

Cash flow statement

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, 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 deposits held at call financial institutions.

Note 5.2 – General accounting policies (continued)

Definition of financial ratios

EBITDA
(Earnings Before Interest, Tax, Depreciation, Amortisation and Speciel items)
= Operating profit before depreciation, amortisation and special items

Adjusted EBITDA
= EBIDTA before share based payments

Adjusted Profit for the year
= Profit for the year from continuing operations before acquisition-related depreciation/amortisation and impairment losses

Net working capital
= Inventory + trade receivables + contract work in progress - trade payables.

Net interest-bearing debt
= Debt to banks + employee bonds – cash and cash equivalents

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

Adjusted EBITDA growth
= Change in adjusted EBITDA as a percentage of previous year adjusted EBITDA

Adjusted EBITDA margin
= Adjusted EBITDA as a percentage of 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

Recurring revenue %
= Recurring Revenue as a percentage of total reported revenue.

Recurring revenue Growth %
= Recurring Revenue movement as a percentage of prior period Recurring Revenue.

Adjusted revenue
= Total reported revenue adjusted to include revenue as if acquisitions were completed on the first day of the relevant accounting period. Figures are stated in Constant Currency

Organic Revenue Growth
= Organic Revenue Growth is the development of EG's revenues in relation to the corresponding prior accounting period, including revenue from acquisitions completed in the current and prior accounting period as if the acquisitions have been made on the first day of the previous accounting period. Numbers are stated in Constant Currency.

Adjusted Recurring Revenue
= Recurring Revenue adjusted to include Recurring Revenue as if the acquisitions were completed on the first day of accounting period. Figures are stated in Constant Currency.

Organic Recurring Revenue Growth
= Organic Recurring Revenue Growth is the development of EG's Recurring Revenue in relation to the corresponding prior accounting period, including Recurring Revenue from acquisitions completed in the current and prior accounting period as if the acquisitions have been made on the first day of the previous accounting period. Numbers are stated in Constant Currency.

Gross Retention Rate
= Prior period Adjusted Recurring Revenue less the annualised value of lost customers in the current period divided by prior period Adjusted Recurring Revenue. The prior period used for purposes of this calculation excludes Adjusted Recurring Revenue relating to certain recent acquisitions where customer data has not yet been in EG's reporting systems to allow for computation.

Net Retention Rate
= Current period Adjusted Recurring Revenue from customers who were also customers of EG or the acquired business in the prior period, divided by prior period Adjusted Recurring Revenue. The prior period used for purposes of this calculation excludes certain recent acquisitions where customer data has not yet been integrated in EG's reporting systems to allow for computation.

Note 5.3 – Group structure

Entity	Country	Group ownership	Ownership interest	Voting percentage
Lancelot UK Finco Limited				
EG A/S	DK	Lancelot UK Finco Limited	100%	100%
EG Midco ApS	DK	EG A/S	100%	100%
EG Danmark A/S	DK	EG Midco ApS	100%	100%
EG Norge AS	NO	EG Danmark A/S	100%	100%
EG Retail AS	NO	EG Norge AS	100%	100%
EG Retail AB	SE	EG Retail AS	100%	100%
Hano AS	NO	EG Norge AS	100%	100%
Holte AS	NO	EG Danmark A/S	100%	100%
Holte Software Poland Sp z.o.o.	PL	Holte AS	100%	100%
EG Poland Sp. z.o.o.	PL	EG Danmark A/S	100%	100%
EG Sverige AB	SE	EG Danmark A/S	100%	100%
Capto A/S	DK	EG Danmark A/S	100%	100%
Prosedo ApS	DK	Merged with EG Danmark A/S		
Moonbird ApS	DK	Merged with Prosedo ApS		
UNIK Boligsalg A/S**	DK			
Dynaway A/S	DK	EG Danmark A/S	100%	100%
IT Minds ApS**	DK			
Sigma Estimate A/S	DK	EG Danmark A/S	100%	100%
Sigma Estimate LLC**	US			
EG Hairtools ApS	DK	EG Danmark A/S	100%	100%
EG Digital Welfare ApS	DK	EG Danmark A/S	100%	100%
A-Data A/S	DK	Merged with EG Danmark A/S		
AX IV SD Holding ApS	DK	Merged with EG Danmark A/S	100%	100%
AX IV SD Holding II ApS	DK	Merged with AX IV SD Holding ApS		
Silkeborg Data A/S	DK	EG Danmark A/S	100%	100%
CodeZoo ApS	DK	EG Danmark A/S	100%	100%
Xena ApS	DK	EG Danmark A/S	100%	100%
Sonlinc A/S	DK	Merged with EG Danmark A/S		
CalWin A/S	DK	EG Danmark A/S	100%	100%
Aver & Lauritzen ApS*	DK	EG Danmark A/S	100%	100%

Entity	Country	Group ownership	Ownership interest	Voting percentage
InCom ApS*	DK	EG Danmark A/S	100%	100%
FrontAvenue A/S*	DK	Merged with EG Danmark A/S		
EGDK INDIA PRIVATE LIMITED*	IND	EG Danmark A/S	100%	100%
PM El-Beregning ApS*	DK	Merged with EG Danmark A/S		
Kalkiatec. ApS*	DK	Merged with EG Danmark A/S		
Front Systems AS*	NO	EG Norge AS	100%	100%
Front Systems ApS*	DK	Front Systems AS	100%	100%
Front Development Spain SL*	ES	Front Systems AS	100%	100%
EasyUpdate AS*	NO	EG Norge AS	100%	100%
EG Finland Oy*	FI	EG Danmark A/S	100%	100%
EnerKey Group Oy*	FI	EG Finland Oy	100%	100%
EnerKey Oy*	FI	EnerKey Group Oy	100%	100%
EnerKey Sweden AB*	SE	EnerKey Oy	100%	100%
Silverbucket Oy*	FI	EG Finland Oy	100%	100%
Jydacom Oy*	FI	EG Finland Oy	100%	100%
Zavann AB*	SE	EG Sverige AB	100%	100%
Zavann AS*/**	NO			
FloraInfo ApS	DK	EG Danmark A/S	14,2%	14,2%
PLSP A/S	DK	EG Danmark A/S	16,7%	16,7%

* Acquired during 2021

** Disposed during 2021

Management's statement

The Executive Board and Board of Directors has today considered and adopted the Annual Report of EG A/S for the financial period 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 Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2021 of EG and the Parent Company and of the results of EG and Parent Company operations and cash flows 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 EG and the Parent Company, of the results for the year and of the financial position of EG and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing EG and the Parent Company.

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

Ballerup, 24 February 2022
Executive Board

Mikkel Bardram (CEO)

Henrik Hansen (CFO)

Board of Directors

Klaus Holse, Chairperson

Petri Oksanen, Vice Chairperson

Michael William Barry

Carsten Nygaard Knudsen

Quentin Lathuille

Jane Wiis

Independent auditor's report

To the Shareholder of EG A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 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 Consolidated Financial Statements and the Parent Company Financial Statements of EG A/S for the financial year 1 January - 31 December 2021, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 mis-stated.

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

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

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 24 February 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
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Parent company financial statements

Content

Parent company financial statements

Primary statements

Statement of profit or loss and other comprehensive income

DKK million	Note	2021	2020
Staff cost		1	0
EBIT		**(1)**	**0**
Share of profit/loss after tax on investments in subsidiaries	4	(238)	(268)
Profit before tax		**(239)**	**(268)**
Income tax	5	0	0
Profit for the year		**(239)**	**(268)**
Other comprehensive income			
Items that may be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign subsidiaries		31	(13)
Other comprehensive income		**31**	**(13)**
Total comprehensive income for the year, net of tax		**(208)**	**(281)**

Balance sheet

DKK million	Note	2021	2020
ASSETS			
Investements in subsidiaries	4	1,176	1,322
Non-current assets		**1,176**	**1,322**
Trade and other receivables		3	0
Income tax receivable		2	0
Current assets		**5**	**0**
Total assets		**1,181**	**1,322**
EQUITY AND LIABILITIES			
Share capital	6	50	0
Translation reserve		17	(14)
Retained earnings		1,108	1,336
Proposed dividends		0	0
Total equity		**1,175**	**1,322**
Payable to group companies		3	0
Other liabilities		3	0
Current liabilities		**6**	**0**
Equity and liabilities		**1,181**	**1,322**

Statement of changes in equity

DKK million	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January 2021	**0**	**(14)**	**1,293**	**1,279**
Change of interpretation of accounting policy	0	0	(15)	(15)
Adjustments to prior year	0	0	58	58
New equity at 1 January 2021	0	(14)	1,336	1,322
Total comprehensive income for the year	0	31	(239)	(208)
Group contribution	0	0	29	29
Capital increase	50	0	(50)	0
Share-based payment	0	0	32	32
Transaction with owners	**50**	**0**	**11**	**61**
Equity at 31 December 2021	**50**	**17**	**1,108**	**1,175**

DKK million	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January 2020	**0**	**(1)**	**1,433**	**1,432**
Adjustments to prior year	0	0	(172)	(172)
New equity at 1 January 2020	0	(1)	1,261	1,260
Total comprehensive income for the year	0	(13)	(268)	(281)
Group contribution	0	0	323	323
Other adjustments	0	0	(3)	(3)
Share-based payment	0	0	23	23
Transaction with owners	**0**	**0**	**343**	**343**
Equity at 31 December 2020	**0**	**(14)**	**1,336**	**1,322**

Cash Flow statement

DKK million	Note	2021	2020
Cash flow from operating activities			
EBITDA		0	0
Adjustments		0	0
Change in working capital		0	0
Income tax paid		0	0
Cash flow from operating activities, continuing operations		**0**	**0**
Cash flow from operating activities, discontinued operations		**0**	**0**
Cash flow from investing activities		**0**	**0**
Cash flow from investing activities, continuing operations		**0**	**0**
Cash flow from investing activities, discontinued operations		**0**	**0**
Cash flow from financing activities		**0**	**0**
Cash flow from financing activities, continuing operations		**0**	**0**
Cash flow from financing activities, discontinued operations		**0**	**0**
Change in cash flow for the year		0	0
Cash and cash equivalents at 1 January		0	0
Effects of exchange rate changes of cash and cash equivalents		0	0
Cash and cash equivalents at 31 December, continuing operations		**0**	**0**
Cash and cash equivalents at 31 December, discontinued operations		**0**	**0**

Note 1 – Basis of preparation

The financial statements of EG A/S have been prepared 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.

Other areas described in note 5.2 to the consolidated financial statements also apply as the basis of preparation of the parent company financial statements where relevant.

Accounting policies

With the exception of the accounting policies described in note 4 - Investments in subsidiary, the accounting policies for EG A/S are the same as EG's accounting policies, cf. the notes to the consolidated financial statements.

Use of estimates, assumptions and judgements

Use of estimates, assumptions and judgements are the same as for EG to the extent they are similar accounting items, cf. note 5.2 to the consolidated financial statements.

Investment in subsidiaries

Investment in subsidiaries is tested for impairment when there is an indication that the investment may be impaired.

Note 2 – Staff costs and remuneration to key management personnel

The Executive Management are shareholders in the company but are not receiving any salary compensation package from EG A/S or from any other company further up in the ownership structure.

DKK million	2021	2020
Average number of employees	0	0
Wages and salaries	1	0
Total	**1**	**0**

Note 3 – Tax

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

Note 4 – Investments in subsidiaries

DKK million	2021	2020
Cost at 1 January	1,776	1,707
Adjustment to prior year	58	(172)
Adjusted cost at 1 January	**1,834**	**1,535**
Additions	29	323
Exchange rate adjustment	0	(24)
Cost at 31 December	**1,863**	**1,834**
Revaluation and impairment at 1 January	(497)	(275)
Change of interpretation of accounting principle	(15)	0
Adjusted revaluation and impairment at 1 January	**(512)**	**(275)**
Distributed result incl. amortisation and impairment of goodwill after tax	(238)	(268)
Adjustment to prior year	0	(3)
Exchange rate adjustments	31	11
Share-based payments	**32**	**23**
Revaluation and impairment at 31 December	**(687)**	**(512)**
Carrying amount at 31 December	**1,176**	**1,322**

§ 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 "Income from investments in subsidiaries".

Note 5 – Equity

	2021			2020		
	Number of shares	at DKK	Share capital (DKK million)	Number of shares	at DKK	Share capital (DKK million)
The share capital consists of	50,000,000	0	50	50,630	1	0

Share capital 5 year movement	2021	2020	2019	2018	2017
Beginning of year	0	0	0	0	0
Capital increase	50	0	0	0	0
End of year	**50**	**0**	**0**	**0**	**0**

Note 6 – Fee to auditors

Fee to statutory auditors are included within the consolidated financial statements, cf. note 4.2.

Note 7 – Contingent liabilities and other financial liabilities

EG A/S is jointly taxed with EG's Danish subsidiaries. The total amount of payable income tax is disclosed in the annual report of EG A/S, the administration company. EG's Danish subsidiaries are also jointly and severally liable for Danish withholding taxes on dividends, royalties and interest.

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

Subject to common law, assets amounting to DKK 1,181 million are pledged as security for subsidiaries' non-current borrowings to banks amounting to DKK 4,051 million.

Any subsequent adjustments of income tax and withholding tax may result in an increase to EG's liability.

Note 8 – Related parties

Parent and ultimate controlling party

EG A/S is fully owned by Lancelot UK Finco Ltd, London with Lancelot UK Holdco Ltd., London being the ultimate Parent Company and is included in the Consolidated Annual Reports of Lancelot UK Holdco Ltd., London.

Key management personnel

The Board of Directors and the Executive Board are considered EG's key management personnel. Apart from remuneration as set out in note 1.6 – Staff costs and remuneration of key management personnel, there were no significant transactions with the members of the Board of Directors or the Executive Board.

Other related parties

Other related parties include subsidiaries as well as family members of key management personnel. EG's interests in subsidiaries are set out in note 5.3 to the consolidated financial statements.

No significant transactions were carried out during the year with Other related parties, with the exception of intra-group transactions eliminated in the consolidated financial statements.

Transactions are made on market terms.

DKK million	2021	2020
Sales to related parties	0	0
Purchase from related parties	0	0
Receivables from related parties, parent companies	0	0
Receivables from related parties, subsidiaries	0	0
Receivables from related parties		
Related party debt, parent companies	0	0
Related party debt, subsidiaries	3	0
Total	**3**	**0**

Note 9 – Financial risk management

EG A/S is exposed to a number of financial risks, mainly interest rate risk, currency risk and liquidity risk.

The company's financial risks are managed centrally by Group Finance according to policies approved by Francisco Partners and Board of Directors.

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

More information regarding financial risk management is provided in note 3.4 to the consolidated financial statements.

Note 10 – Distribution of profit or loss

The Executive Management proposes that the comprehensive income for the year be distributed as follows:

DKK million	2021	2020
Translation reserve	31	(13)
Retained earnings	(239)	(253)
Total	**(208)**	**(266)**

Note 11 – Subsequent events

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

www.eg.dk Company reg. (CVR) no. 40 40 60 93 1 January – 31 December 2021 Lautrupvang 24, 2750 Ballerup