Annual report 2021

SDC A/S • CVR No. 16 98 81 38 • Borupvang 1A • DK-2750 Ballerup • Financial year 1 January - 31 December

A great banking experience

Vision

A great banking experience
at a competitive price

Enable Effective Banking

Financial ratios 2021

Revenue
1,634
DKK million

Revenue growth
9%
YOY

Equity
672
DKK million

Equity value per share
402

Equity ratio
39%

Average number of employees
553

Contents

Company information

SDC A/S
Borupvang 1A
DK-2750 Ballerup

Tel: +45 44 65 71 11
Web: www.sdc.dk

CVR no. 16 98 81 38
Established: 2 April 1993
Registered office: Ballerup
Financial year: 1 January - 31 December

Board of Directors
Klaus Oberthanner Skjødt, Chairman
John Christiansen, Deputy Chairman
Sverre Vigleik Kaarbøe
Bjørn Asle Hynne
Jean Djurhuus
Vagn Hansen
Mats Christer Persson
Lars Blaabjerg Christensen
Michal Kulesza, employee representative
Lars Ravn, employee representative

Management
Jesper Scharff

Auditors
KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen Ø
CVR no. 25 57 81 98

General meeting
The ordinary general meeting is held on 10 May 2022.

Statement by the Board of Directors and the management

The board of directors and the management have today reviewed and approved the annual report of SDC A/S for the financial year 1 January – 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2021 and of the results of the company operations and cash flows for the financial year 1 January – 31 December 2021.

Moreover, in our opinion, the management's report includes a true and fair review of the development in the company's operations and financial situation, net result and of the company's for financial position.

The annual report is recommended for approval by the annual general meeting.

Ballerup, 21 March 2022

Management:

Jesper Scharff
(CEO)

Board of directors

Klaus Oberthanner Skjødt
(Chairman)

John Christiansen
(Deputy Chairman)

Sverre Vigleik Kaarbøe

Bjørn Asle Hynne

Jean Djurhuus

Vagn Hansen

Mats Christer Persson

Lars Blaabjerg Christensen

Michal Kulesza
(Employee Representative)

Lars Ravn
(Employee Representative)

Independent auditor's report

To the shareholders in SDC A/S

Opinion

We have audited the annual financial statements of SDC A/S for the financial year 1 January - 31 December 2021, including the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, as well as the accounting practices. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis of opinion

We have carried out our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibility under these standards and requirements are further described in the "Auditor's responsibility for the audit of the financial statements" section in our report.

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

In our view, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility 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 international standards on auditing 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 international standards on auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting practices used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

We communicate with senior management 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.

Statement on the management report

Management is responsible for the management report.

Our opinion on the financial statements does not cover the management report, and we do not express any form of certain conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the management report and, in doing so, consider whether the management report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, our responsibility is to consider whether the management report includes the disclosures required by the Danish Financial Statements Act.

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

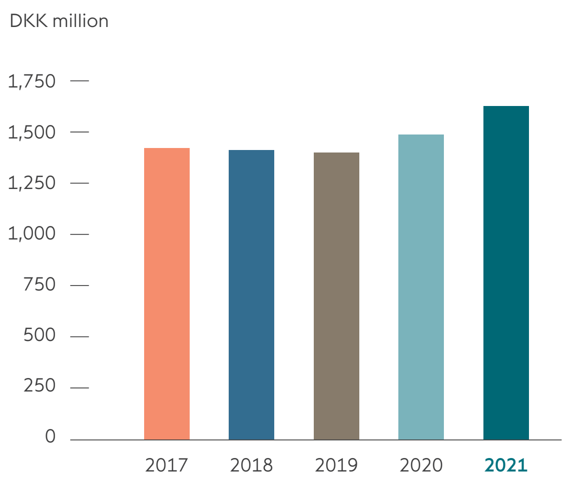
Copenhagen, 21 March 2022

KPMG
Statsautoriseret
Revisionspartnerselskab
CVR no. 25 57 81 98

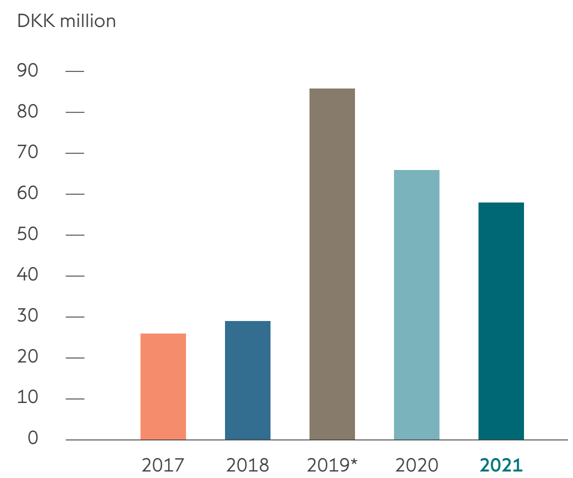
Michael Sten Larsen
Certified public accountant
mne10488

Financial highlights for the company

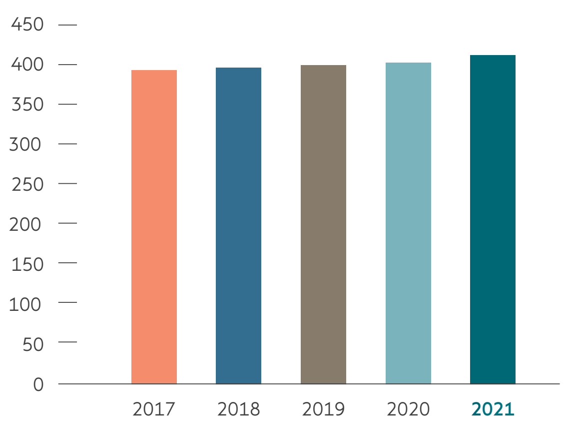
Revenue



Operating profit/loss



Equity value per share



Growth rate – YOY

-16%	-1%	-1%	6%	9%

* Profit/loss in 2019 was affected by income from sale of domicile corresponding to DKK 33 million.

Financial highlights for the company

TDKK	**2021**	2020	2019	2018	2017
Key ratios					
Revenue	1,633,776	1,493,377	1,406,209	1,417,858	1,429,136
Profit/loss before interest, taxes, depreciation, and amortization (EBITDA)	280,035	266,066	307,123	280,908	237,939
Profit/loss before interest, taxes, and amortization (EBITA)	57,950	66,252	86,013	29,394	26,012
Profit/loss from financial income and expenses, net	-485	-730	-10,607	-2,321	-7,905
Profit/loss for the year	13,601	6,003	12,145	5,581	4,353
Balance sheet total	1,710,808	1,555,446	1,524,788	1,658,838	1,607,280
Capitalised development costs	804,671	820,235	827,536	820,153	779,600
Equity	671,909	682,072	676,465	655,117	664,665
Cash flow from operating activities	419,042	289,706	319,224	295,715	232,353
thereof investments in tangible fixed assets	-8,199	-6,798	391,353	-10,209	-2,063
Total cash flow	167,188	42,883	261,894	26,189	-8,745
Financial ratios					
Profit margin	1.42%	0.50%	1.90%	0.60%	1.10%
Rate of return	1.35%	0.48%	1.70%	0.50%	0.90%
Return on equity	2.02%	0.90%	1.80%	0.80%	0.70%
Equity ratio	39.27%	43.90%	44.40%	39.50%	41.40%
Average number of full-time employees	553	561	569	568	602
Equity value per share	402	393	390	387	384

The financial ratios are calculated as follows:

Profit margin = Operating profit/loss x 100 / Revenue

Return on capital invested = Operating profit/loss x 100 / Average capital invested

Invested capital = Operating intangible and tangible fixed assets and net working capital

Return on equity = Ordinary profit/loss after tax x 100 / Average equity

Equity ratio = Equity, excluding minority interests at year-end x 100 / Total liabilities at year-end

About SDC

105

SDC customer banks

+6,000

workstations

91%

of SDC's sales come from shareholders

7.1

million customer accounts with the SDC banks

2.4

million customers with the SDC banks

9%

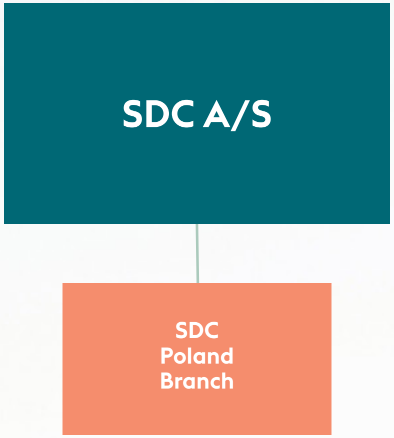
of SDC's sales come from commercial customers

Company structure

SDC's main activities comprise the development, maintenance and joint purchase of IT systems and related services for more than 100 banks in the Nordic countries. IT operation services also form part of the company's core deliveries. These services are outsourced to JN Data, of which SDC is co-owner.

In 2021, SDC had activities in Denmark and Poland and customers in Denmark, Norway and Sweden and the Faroe Islands.

In 2021, SDC A/S consists of SDC in Denmark and the company's branch office in Poland. The company's activities are divided between the following legal entities:



SDC A/S

Main activity: IT services
Geography: Denmark (Ballerup)
CVR no. 16 98 81 38

SDC POLAND BRANCH

Main activity: System maintenance and IT development
Geography: Poland (Warsaw)
Stat. no. 364249269

In addition to SDC A/S and SDC Poland, SDC is registered in Norway – currently without activity – under Corporate no. 812 774 352 in Enhetsregisteret and registered in Sweden – as employer – under Corporate no. 502062-5835 at Skatteverket.

Management report

Prepared for the future

A good banking experience at a competitive price! That is the vision for all SDC's activities: A vision that, also in 2021, has set the framework for the day-to-day management and future development. And it is a vision that SDC is now better positioned to deploy than ever before.

On the financial side, the growth in SDC's revenue continues (in 2021 it grew by 9%), particularly due to growing demand for commercial system development in addition to the shared development in SDC's annual shared development plan.

SDC maintains a flat price development with annual price adjustments which only reflects the general inflation and price development in the wider society. Capitalised development costs are maintained at a stable, declining level, and the equity value per share has increased further in 2021 to price 402.

In terms of day-to-day IT operations, platforms and the infrastructure have been modernised and made more efficient in recent years with a noticeable positive effect. The operational quality, meaning systems uptime and response time, has improved over time and has kept a high momentum throughout 2021.

The boost of the infrastructure also ensures better use of the operational capacity, and thus SDC can handle the ever increasing transaction and data volumes with no corresponding increase in the banks' payments.

The arrival of new banks continues. Among other things, in 2021 an agreement was entered with Forsvarets Personellservice and the Norwegian LOKALBANK alliance, including ten former Eika banks. These ten banks started up in SDC in the second half of 2021. Overall, SDC has attracted more than 30 new banks in recent years.

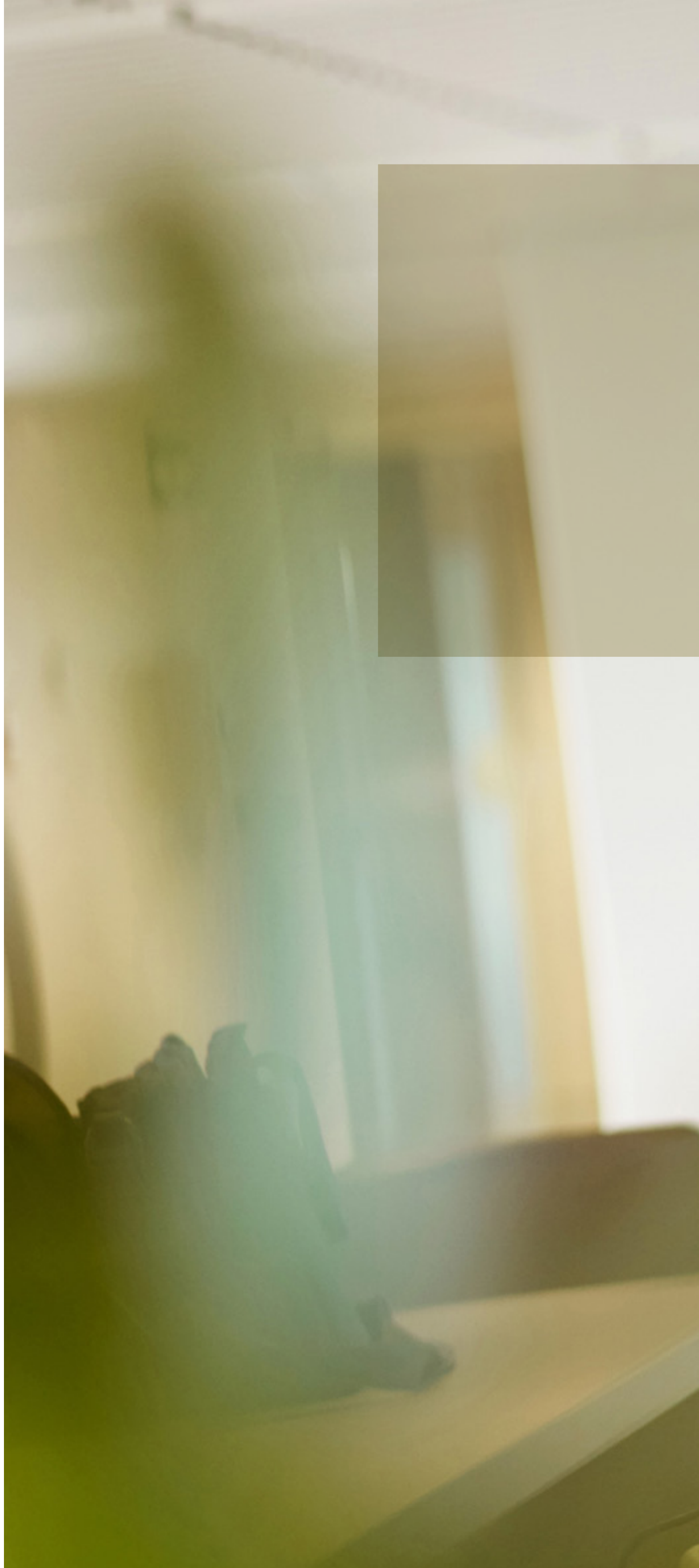
SDC's performance power has further improved in 2021. Compared with 2017 (5 years), SDC has provided 20% more system development and 18% more system maintenance per Danish krone paid by the banks in 2021! This is due to tight cost control and increased use of nearshore resources.

SDC has been through a level change as regards its system offer to the banks within almost all strategic areas. In 2021, this included, among other things, the preparation of a new international system, roll-out of new online and mobile banking service (NEoS), establishment of an Open Banking platform, further development of the leading advisor platform (Advisor), development and implementation of a new automation platform for the banks with supporting standard processes and APIs, as well as a reorganisation of a number of obsolete solutions and technologies into one modern enterprise data warehouse.

The work ahead – setting the framework of SDC's strategy 2023: Enable Effective Banking – SDC and the SDC banks capitalise on this level change and the opportunities it offers to focus on increased offerings of new features to the banks – functionality that may help the SDC banks to become even more efficient.

This level change, especially within the regulatory area, means that the SDC banks can respond to changing demands placed on reporting to authorities and compliance with a very moderate increase in the costs for IT support. Within the regulatory area, SDC and the SDC banks have therefore decided to invest continuously in updating relevant systems and platforms instead of trying to patch up obsolete solutions. Therefore, it has been possible to keep costs for compliance-based development stable over the years at the same time as the foundations of a resilient system to meet future regulatory requirements has been established.

SDC continuously measures the well-being, performance and working conditions of its employees. The outcome of these surveys – recently in 2021 – shows continuous increase in satisfaction and motivation. SDC's job listings attract a lot of people with high educational achievements and many years of professional experience. 86 people were hired in 2021 (2020 = 50). The majority of them has a higher education degree, most often at graduate level.



Bjørn Asle Hynne
Adm. banksjef
Aasen Sparebank

We wish to have forward-looking solutions based on standardised common solutions and deliverables

The primary driver in selecting SDC has been our wish to have forward-looking solutions based on standardised common solutions and deliverables that benefit the banks and our customers. We have undertaken several development initiatives together with SDC and recognise that this is also of interest to several SDC banks both in Norway and in a Nordic context, which strengthens mutual development and reduces costs while enhancing development.

LOKALBANK will be an active owner and provide resources to several projects to increase mutual commitment to competitive solutions and deliverables from SDC. Collaborating across the Nordic region and with the Norwegian banks, which receive direct deliveries from SDC, will make us stronger.

Recognising that the banks know banking and SDC knows IT, we must be able to develop a first in class provider of solutions and integrations with a range of third parties.

As owners, we are committed to ensuring that SDC develops in a way that serves and strengthens the banks' competitive edge by providing a significant degree of development and joint solutions. This is a cornerstone of our business strategy.

We are confident that we will progress a forward-looking development strategy that serves the owners, SDC and the banks' end customers through existing and new projects.

Customers and market

SDC's primary market focus is on the conventional Nordic banks and online niche banks working with, for example, consumer loans. SDC has strengthened its system portfolio during 2021 to further support SDC's Nordic profile. Among other things, a complete credit solution for the Nordic market has been developed, and in addition to credit rating, loan establishment and digital registration, it also covers self-service loan application, onboarding and KYC (Know Your Customer). Moreover, SDC has developed a solution for handling building societies in collaboration with an external partner.

The completed level change of SDC's platforms and systems has had a clear positive effect on existing as well as newly onboarded customers in SDC. SDC is prepared for growth, and particularly Norway is considered an especially attractive market with a lot of potential. In 2021, SDC could thus welcome the LOKALBANK alliance onboard. The ten banks in the alliance are independent saving banks who have joined forces on joint procurement and are spread across Norway.

Moreover, SDC has consolidated its position on the Norwegian market through contracts with the Norwegian defence, as well as the Danish Facit Bank A/S in 2021 established in both Norway and Sweden on SDC's platform.

SDC is one of few providers of core banking services, and on the Nordic level SDC handles more than two million end customers. The derived economies of scale from this is of great importance for SDC's customers and they underpin the fact that SDC is still being rated as a very attractive partner in the annual surveys.

The Nordic banking market is considered a mature market characterised by mergers and consolidations.

Pan-Nordic development

	2021	2020	2019	2018	2017
Pan-Nordic development	85%	76%	74%	72%	71%

In recent years, more than 30 local banks and digital niche banks have chosen SDC as core banking provider. This has strengthened SDC's belief that the intensive investments in new solutions and focus on low costs per unit are fruitful.

SDC's platform is largely meant and developed to be an open integration-ready platform that already today makes a wide range of APIs available. SDC sees many opportunities in Open Banking and expects that the work in that respect will contribute to strengthening the competitiveness of the SDC banks and SDC's ability to attract new banks. Open APIs drive development and innovation, where SDC's customers easily and cost efficiently can build solutions on top of SDC's core banking system and integrate technically with third parties.

New customers

SDC has welcomed more than 30 new banks across the Nordic region onboard since 2014.

storebrand
Cultura Bank
Personellservice Trøndelag
skandia
easybank
lån & spar bank SE
Sandnes Sparebank

Stadil Sparekasse
Oikos
Ekobanken ekologiskt - socialt - kulturellt

MyBank
Næringsbanken

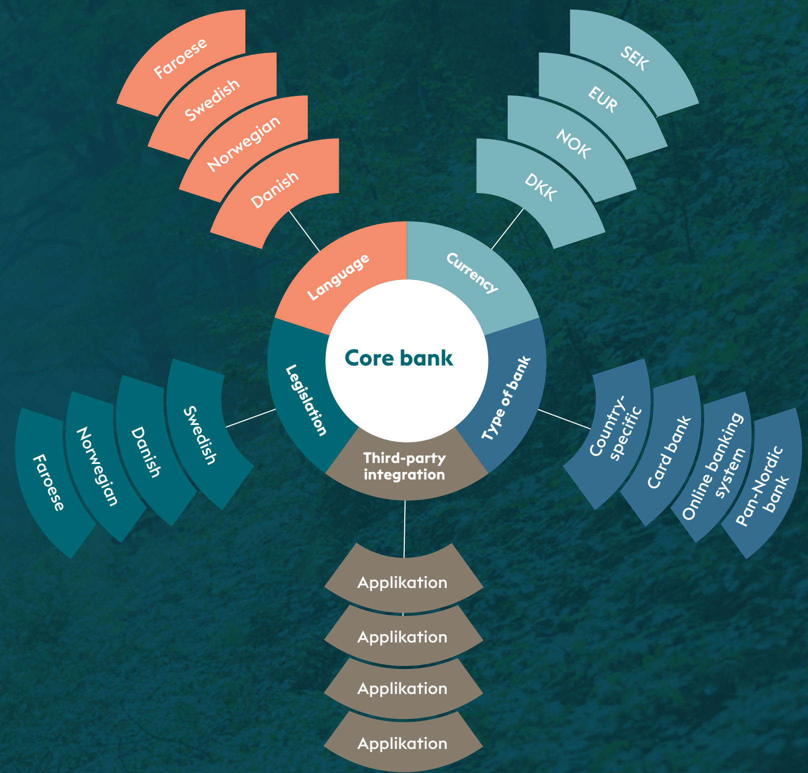
MARITIME & MERCHANT
BRABANK NO SE
AVIDA NO SE FL
JAK MEDLEMSBANK SE
NORDIC CORPORATE BANK

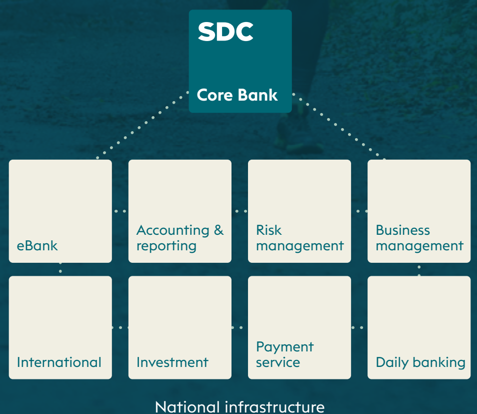
nordbank
facit bank
BoligBanken

FP
LOKALBANK
Aasen Sparebank
Askim & Spydeberg Sparebank
Drangedal Sparebank
Nidaros Sparebank
Selbu Sparebank
Sparebank 68° Nord
Sparebanken DIN
Stadsbygd Sparebank
Tolga-Os Sparebank
Ørland Sparebank

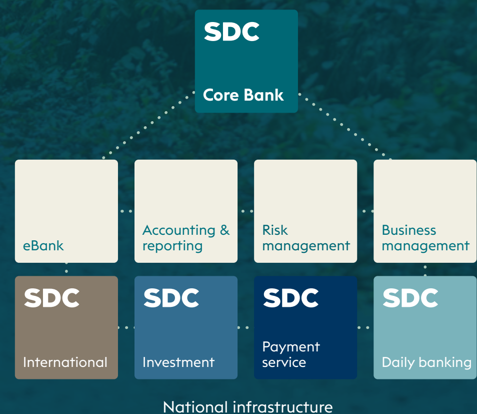
2014 → 2021

SDC's platform is largely meant and developed to be an open integration-ready platform, where SDC's customers easily and cost efficiently can build solutions on top of SDC's core banking service

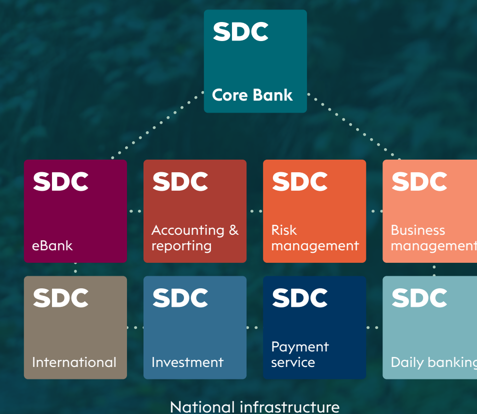




High degree of own and third-party applications integrated with SDC



Some degree of own and third-party applications integrated with SDC



Full use of SDC

Vagn Hansen
CEO
Sparekassen Danmark

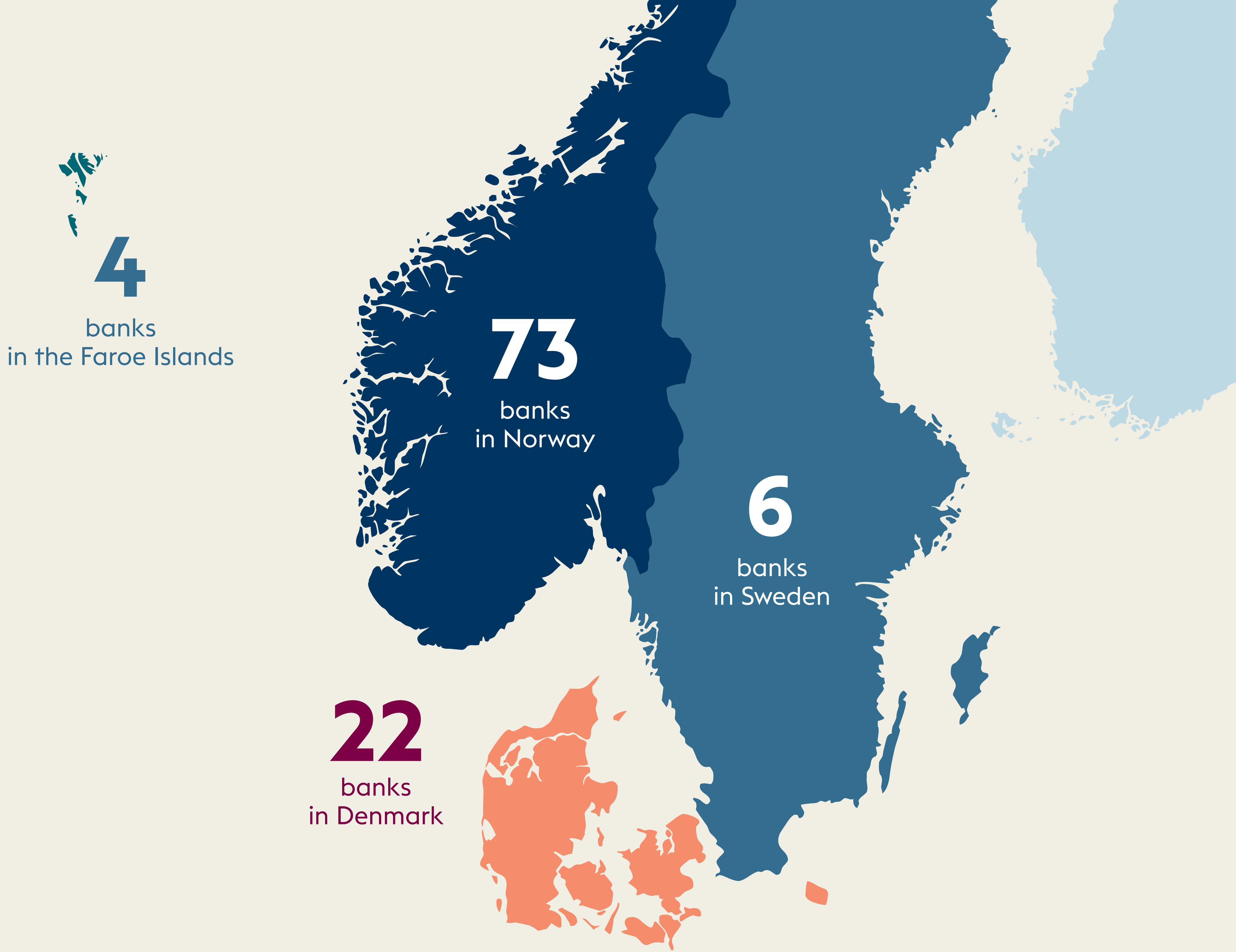
The partnership with SDC has moved on significantly in recent years. We experience greater impetus, a very good dialogue and higher pace of development

The digitalisation and regulation wave rolls in. This puts high demands on the savings banks and SDC. User-friendly solutions are highly sought after by the customers, and it has become a crucial competitive parameter – especially for the young customers. We should be involved and be in a strong position in this area – but not necessarily be a leader.

Many good IT solutions have already been implemented in close collaboration and partnership with SDC that have made life easier and simpler for our customers and employees.

And now we are waiting for the real implementation of the new online and mobile banking service that we look forward to introducing to all our customers. In addition, great progress is being made in the coming period with, among other things, automated production in Advisor – a great help to solve everyday problems for many employees, and the collaboration on Pension 23 with Nærpension will guarantee a lot of good solutions in a complex advisory area.

The partnership with SDC has moved on significantly in recent years and with a thorough and very relevant involvement of the savings banks we experience greater impetus, a very good dialogue and higher pace of development. We experience SDC as a very good partner, where agility, understanding, inclusion and action really make things happening.


4
banks
in the Faroe Islands
73
banks
in Norway
6
banks
in Sweden
22
banks
in Denmark

Corporate social responsibility

SDC's social contribution

As a player in a critical financial infrastructure in the Nordic region, it is important for SDC to maintain a high degree of confidence in SDC and the wider society – including to support the SDC banks' opportunities to conduct banking transactions with a high degree of security and in compliance with the legal requirements in the countries where SDC's customers operate.

SDC runs its business in a mature and regulated sector offering services to customers that are themselves subject to strict regulation and attention. SDC is similarly to SDC's customers subject to supervision by the Danish Financial Supervisory Authority, the Norwegian Financial Supervisory Authority and Finansinspektionen in Sweden as well as self-compliance via internal and external system audits.

SDC designed an CSR strategy and a derived policy in 2021 that forms the basis of the company's CSR activities. Basically, SDC has been inspired by the UN SDG targets and goals in connection with its CSR activities, especially focussing on the targets on regulation of financial institutions (SDG 5.10), targets on productive employment and decent work for all, and on access to banking services and financial services that support productive activities and formalisation of micro-, small- and medium-sized enterprises (SDG 8.3 and 8.10). The everyday deployment of CSR is supported by the company's CSR policies and risk assessments as well as a number of operational policies that cover social aspects and human resources, respect for human rights and anti-corruption and anti-bribery.

Human resources

It is important for SDC to be an attractive employer where the employees are treated with respect and do not face discrimination. SDC supports the ILO's fundamental conventions on respect for labour rights and gender equality, and standards regarding decent working conditions, respect for collective agreements and minimum wage, etc. are embedded in the company's policies. When using external labour, SDC recognises that there may be a slight risk that working conditions fail to comply with SDC's standards.

SDC supports Interforce and thus backs up when Danish Defence needs human resources who, on top of their job in SDC, have signed up with the Danish armed forces or as a volunteer in the home guard. This means, among other things, that SDC gives the relevant employee a day off, vacation or leave, when needed by Danish Defence or the home guard, when possible, and similarly, postings for Danish Defence will not affect career progression in SDC.

Human rights, anti-corruption and business ethics

All SDC's suppliers are informed about and expected to adhere to SDC's Code of Conduct, which among other things specifies that the supplier shall abstain from using child or forced labour and avoid any discrimination based on race, gender and age, etc. Moreover, the Code of Conduct specifies that freedom of association is a human right for the supplier's employees, that collective agreements must be respected and that SDC does not tolerate bribery.

SDC uses many BtB employed staff, in particular in Poland. As a result, it is defined in the company's Code of Conduct that all suppliers must draft employment contracts to employees in compliance with local legislation as regards wages, pensions and any overtime.

SDC prepared a policy on data ethics in 2021, which is accessible on a newly established compliance site. SDC has a very strict governance on data and constantly assesses whether there is a need to adjust existing policies and procedures within the area.

Taxes and duties

Another significant contribution to society is the annual financial value generated by SDC via payment of taxes and duties, primarily in Denmark, but also in Sweden, Norway and Poland. SDC has a policy that all taxes and duties must be reported as per the legislation and that they must be paid on time and on the basis of realised figures (complete, accurate and timely).

The distribution of tax payments between the individual countries is regulated by SDC's Transfer Pricing Policy which, by objective criteria, defines the distribution of tax payments in proportion to the activity in the individual enterprises and countries. SDC wants to be transparent about the company's tax payments.

Taxes and duties in the financial accounts 2021

Million DKK	2021	2020	2019
Corporation tax	3.177	1.275	3.882
Property taxes	0.000	0.000	4.815
Taxes charged on behalf of the state (PAYE tax, Labour Market Contribution and the Danish Labour Market Supplementary Pension, ATP)	165.472	165.648	160.846
Payroll tax	60.300	63.571	61.805
VAT (non-recoverable)	74.436	86.476	79.786
Green taxes	0.023	0.028	0.033
Total	303.408	316.998	311.167

SDC does not have any activities on locations categorised as "tax havens", and SDC does not engage in tax evasion of any kind.

Risk assessment

SDC reviewed its risk policy in 2021 in relation to its corporate social responsibility and has not identified any grounds for changing it. SDC monitors the EU's preparation of regulations for taxonomy and reporting on sustainability in the financial sector.

SDC complies with applicable environmental and climate legislation. As an IT service provider, SDC has no production or other resource intensive activities with a significant negative impact on the environment and climate. In 2021, SDC prepared a CSR policy which also includes SDC's environmental and climate policy. The policy is accessible on the newly established compliance site. Primary environmental impacts are generated by SDC's IT-based solutions and the energy consumption related to the operation of buildings for SDC's HR offices. The operation of IT solutions is outsourced to JN Data A/S, who is a primary subsupplier to SDC. JN Data A/S is bound by SDC's Code of Conduct as regards deliveries to SDC. As co-owner, SDC monitors JN Data A/S to oversee that they act responsibly in relation to impacts on the environment and climate. For example, JN Data A/S uses principles related to having a green focus and the lowest possible energy consumption.

As regards operating the building, SDC rents the premises. Therefore, SDC has no direct control over e.g. procurement of utility services, but SDC always tries to influence these indirectly in its role as tenant. Thus, in 2021, SDC succeeded in getting the landlord to establish charging points for electric cars at the parking area with capacity to charge 14 cars at a time. This is done to support the employees if they buy and use electric or hybrid cars.

Climate changes

SDC considers climate changes as one of the essential challenges in modern times. As a provider of IT platforms for banking services, SDC seeks to understand and reduce the adverse climate impacts from the company's operations. As an IT provider, SDC's climate impact is limited and many operations are outsourced. In 2021, SDC started preparing its carbon calculation for scope 1 and scope 2 emissions and has started to measure the most essential scope 3 emissions for external data providers. This quantification of emissions follows the principles outlined in the WRI GHG protocol.

The operational emissions from company cars (scope 1) and procured electricity and heating (scope 2) do not reflect the emission sources contained in the product supplied by SDC to its customers. The reason is that SDC outsources the actual operation of data centres to JN Data A/S and NNIT, among others. For 2021, scope 3 emissions from SDC's main supplier, JN Data A/S, are included and individual data from NNIT, together with emissions in connection with transportation and travel activities. SDC aims at expanding the calculation to also cover more tangible items under scope 3 and remaining suppliers.

In 2021, SDC's total energy consumption from electricity and heating was estimated to 307 MWh, of which 33% came from renewable energy sources.

SDC has calculated emissions for scope 1 and scope 2 back to 2019. The figures show a reduction in scope 2 based on a reduction of square metres occupied by SDC in shared offices and implementation of various energy-aware solutions. Significant reductions are seen in scope 3 for associated data centres, since JN Data A/S has decided to purchase 100% electricity via wind power since 2020. Moreover, lockdowns in connection with COVID-19 have lead to a considerable reduction in travel activities. While these lockdowns represent a temporary trend, the lessons learned have led us to understand that a much larger number of meetings can be held virtually. In the future, it is desirable to maintain the lower level and, therefore, SDC encourages the employees to hold meetings virtually, when possible.

SDC is constantly working on energy-smart solutions both to improve energy efficiency and to reduce emissions of greenhouse gases in general.

Carbon$_2$ emissions 2019-2021

T CO_2e	2021	2020	2019
Scope 1	0.14	0.46	0.39
Scope 2 (market)	194	236	287
Scope 2 (location)	122	147	195
Total scope 3	149.7	194.4	980.3
Data centre (JN Data A/S)	26.6	37.2	638.9
Business travel	123.1	157.2	341.4

Data for mileage in 2019 and 2020 are estimates. The power consumption of JN Data A/S is expected to be the same as the share of "green" electricity in 2020.

Data security

As data processor for SDC's customers and as data controller for our employees, SDC must ensure that it complies with the provisions of the General Data Protection Regulation.

By annual independent audits, recently in 2021 (ISAE 3000 declaration), it is verified that SDC has a robust governance structure and a high degree of security when processing personal data. SDC received an audit opinion from JN Data A/S' auditors for 2021 focussing on the role as data processor. The audit by JN Data A/S has given no indications of any issues that would prevent SDC from cooperating with JN Data A/S in the future.

It is crucial for SDC that the customers are able to conduct their banking transactions with a high degree of security and without any operational disruptions. This is guaranteed by a strong IT security policy that oversees SDC's IT environment based on ISO 27001/2 as international management standard and management tool.

In addition, SDC participates in Nordic Financial CERT, a Nordic sectoral cooperation that provides protection against and builds up knowledge about cyber-attacks on financial institutions. The cooperation provides SDC and SDC's customers with deeper insight into the current operational threat landscape to the Danish and international financial sector. Moreover, insurance-wise SDC has ensured that SDC has access to specialists possessing competences in the field of dealing with cyber-attacks.

SDC is keeping new actions and improvements of existing ones under constant review, specifically targeted at self-services that reduce the risk of attempted fraud in connection with online and mobile banking services. These include both measures in relation to systems such as enhanced exchange of knowledge and experience across the owners of SDC.

As an integral part of SDC's IT security culture, all SDC's employees undergo a mandatory annual Security Awareness Training Program. Security training has also included GDPR in 2021. No actions or IT security breaches were registered in 2021 that have affected SDC or SDC's customers ease of doing business.

To promote the transparency of SDC's commitment to security, compliance, GDPR and CSR, SDC established at year-end 2021 a central Trust Site that brings together relevant GDPR, compliance and IT security as well as CSR documentation across SDC. The documentation is made available to SDC's customers to support the customers' local work on compliance.

Human resources

SDC is a professional company with deep roots in the financial sector and with a good track record and experience. Based on broad know-how combined with a flair for innovation and thinking outside of the box, SDC wants to provide modern, business-oriented solutions that enhance the competitiveness of SDC's customers and support "effective banking".

Therefore, SDC puts high demands to their employees when it comes to dedication, technical competence, bandwidth, winner mentality and interpersonal skills and is committed to an open, respectful and innovative culture with focus on competence and performance development of both employees and managers.

To support a performance culture, all employees have performance dialogues where individual goals, performance and development needs are identified and SDC continuously follows up on progression. The work with development plans for the employees and handling of key resources contribute to ensuring SDC's ability to deliver and flexibility.

SDC offers employees a wide range of relevant development opportunities, including both professional and personal courses, training programs and certifications.

SDC's job listings attract a lot of people with high educational achievements and many years of professional experience. 86 people were hired in 2021 (2020 = 50). The majority of them has a higher education degree, most often at graduate level.

When hiring and appointing managers, SDC focuses heavily on managers' ability to drive change. SDC seeks to influence and support its managers in the performance of their duties to ensure that both managers and employees adhere to the company's values and control the company's processes with the right tools. Development and support of managers is done in practice via the SDC Leadership Program where SDC works with management development as a continuous process with ongoing "service inspections" and coaching of the individual manager. The starting point is concrete and down to earth: Management development has to be close to the individual manager's daily life based on concrete management challenges and focus on concrete tools, processes, and actions to tackle these challenges.

Target figures

In 2021, SDC had on average 553 employees (2020 = 561) according to the ATP method. Out of those, 26 are employed in SDC's Polish branch (2020 = 24). Internally, SDC works with a number of employees on a full-time equivalent basis, as this number better expresses the actual capacity that is available to SDC. The number of employees measured on a full-time equivalent basis stood at 549 FTE (2020 = 543) at year-end 2021, of this, 522 FTE were affiliated to SDC in Denmark, and 27 FTE affiliated to SDC in Poland. There were also 261 Polish

Average age

	2021	2020	2019
Employees	50 years	50 years	49 years
BtB (Poland)	37 years	36 years	36 years
Total	46 years	46 years	46 years

colleagues on BtB contracts (2020 = 219), who are working from the location in Warsaw. Overall, approx. 30% of SDC's resources thus work from SDC's location i Warsaw. This share is expected to increase in future years.

The total average age of SDC employees and nearshore resources in 2021 is 46 years (2020 = 46). For SDC employees isolated, the average age is 50 years (2020 = 50), and for nearshore resources in SDC's Polish branch 37 years (2020 = 36).

Presentation of gender composition

SDC's policy is to recruit the best qualified candidates for all positions, irrespective of gender. In terms of recruitment, SDC seeks to ensure that there is one of each gender among the last three candidates.

The gender composition of the company's employees remained unchanged from 2020 with 62% men and 38% women. At management level, the gender composition is 53% men and 47% women, which shows an improvement from 2020 (58% men and 42% women). The gender balance among the nearshore resources in Poland is 94% men and 6% women.

At board level, the owners have not made any changes in 2021 that has affected the gender composition. The 8 board members elected by the general meeting are all men. This largely reflects the gender composition on the executive boards with SDC's shareholders.

It remains the board of directors' objective to seek to achieve representation of the underrepresented gender in the board of directors by the end of 2023. The practical implementation depends on the composition and internal delegation of responsibilities in the executive boards of SDC's shareholders. The two board members appointed by the staff following the last election are both men.

Working environment and culture

For SDC A/S, an agreement has been made with the Danish Financial Services Union (Finansforbundet) in Denmark. Based on existing agreements and standards in the financial sector, SDC aims to create a working environment and a culture that attracts and retains skilled and dedicated employees who contribute to innovation and development for the benefit of SDC's customers, SDC and the employees themselves.

The resources at SDC's location in Ballerup are complemented by a well-functioning nearshore set-up in Poland. Here, SDC cooperates with responsible and recognised partners and continuously monitors that the partners comply with their obligations regarding working conditions. In addition, the 26 permanent employees in the Polish branch also have good working conditions.

Development in gender distribution

	2021	2020	2019
Total SDC employees	62% M 38% W	62% M 38% W	62% M 38% W
SDC Management	53% M 47% W	58% M 42% W	56% M 44% W
SDC Poland (BtB)	94% M 6% W	93% M 7% W	90% M 10% W

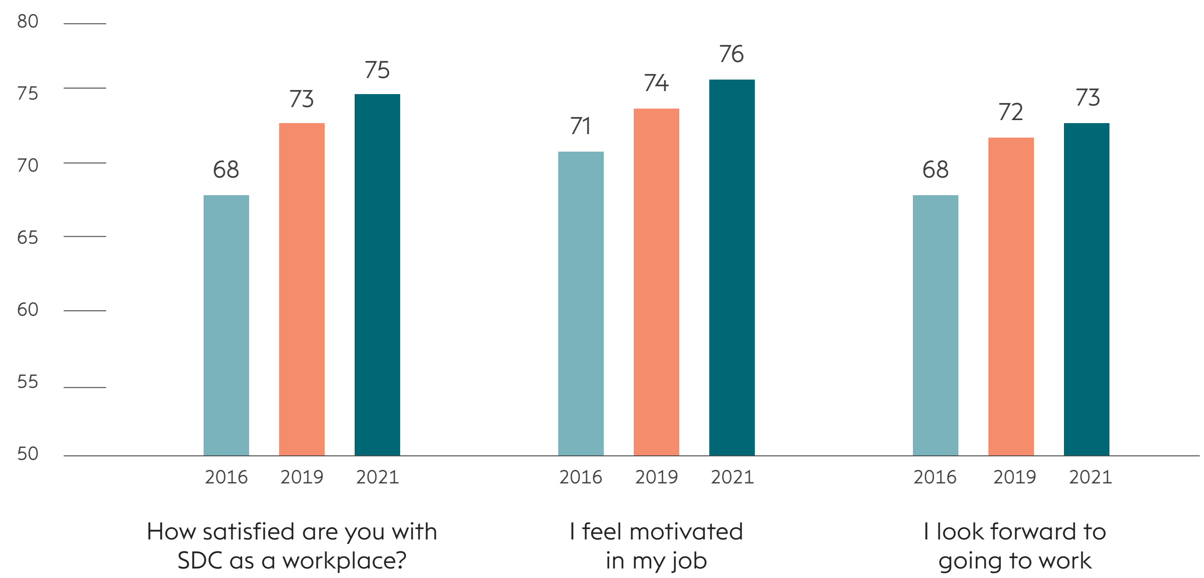
In 2021, SDC has continued to work to strengthen SDC's identity as one company, regardless of location and nationality. This is done, among other things, through a mix of employees in projects and tasks across borders, application of the same processes and tools as well as integrating of Polish resources into SDC's management teams.

Well-being

SDC continuously measures the well-being, performance and working conditions of its employees. According to surveys, SDC is rated as an attractive workplace at par with companies and industries in SDC's benchmark group (Technology, Media & Telecommunications). Work-place assessments show general satisfaction with the physical and psychological working environment in SDC. This is supported by a generally low level of sickness absence, which has been below 3% in 2020 and 2021, and an average employee turnover of 9% across geography and types of employees in 2021, which, given the market situation, is assessed as quite good.

Culturally, SDC's strategy operates with the concept of "One SDC" and harmonises as far as possible relevant processes and tools across locations in Denmark and Poland. SDC monitors well-being in the same way in both Denmark and Poland. SDC's latest surveys of well-being were completed in the fourth quarter of 2021 and had a response rate of 90%. The survey focuses on four main areas: satisfaction, motivation, loyalty and dedication. SDC scored well within all areas in 2021, and the trend from 2016 to 2021 is very positive.

Employee satisfaction



In addition to giving employees the opportunity to express their views both openly and anonymously in SDC's surveys, SDC has implemented a whistleblower scheme in the fourth quarter of 2021.

Moreover, SDC undertakes a social responsibility and has, among other things, obtained approval in 2021 to increase the number of trainees in the company from three to five. SDC has also taken on employees in a flexible job, among other things.

Covid-19

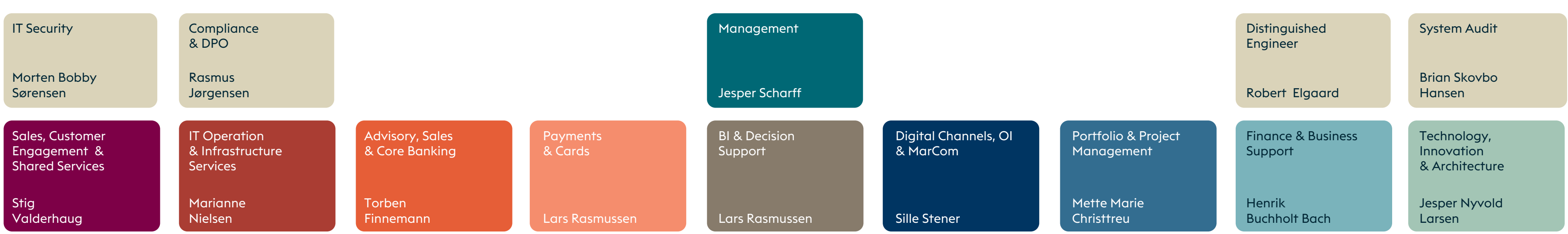
Like other companies, SDC has also been affected by the covid-19 pandemic in 2021. SDC has followed the recommendations of the national authorities and adapted the company's guidelines as they evolved. Fortunately, the nature of SDC's business combined with the company's digital preparedness and the employees' adaptability has shown that it has largely been possible to perform SDC's activities from home. Thus, a large proportion of the company's employees have worked from home during periods of 2021.

In 2021, SDC has maintained the measures introduced in 2020 to restrict the spread of the disease. These measures have included generally known elements such as widespread use of working from home, when possible.

For the employees who came in to work from SDC's locations, there have been additional hygiene measures, including extra cleaning in the middle of the day and support by other measures (hand sanitizer and face mask, etc.) as well as reorganisation of canteen services, highly reduced travel activity and more widespread use of online meetings and e-learning as education activity.

Finally, SDC closely followed up on work contacts in case employees are infected. In 2021, 43 SDC employees were found to be infected with the coronavirus. In all cases, the coronavirus was not spread from colleague to colleague.

Organisation

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Financial position

SDC's performance in 2021

In many ways, 2021 has been a year of contradictions. 2021 also saw periods of lockdown due to the pandemic, where national restrictions in both Denmark and Poland challenged the traditional forms of work and ways of collaboration, but SDC has learned from the experience from 2020, and despite these challenges, 2021 has also been a year of intense activity and growth.

The company's revenue has increased by 9% compared to 2020. This growth is mainly due to the Danish market.

The company's revenue trend

In the financial year 2021, SDC achieved a revenue of DKK 1,634 million (2020 = DKK 1,493 million).

This is a revenue increase of 9% or DKK 141 million compared to the revenue in 2020, and approx. DKK 80 million higher than forecasted in the 2021 budget.

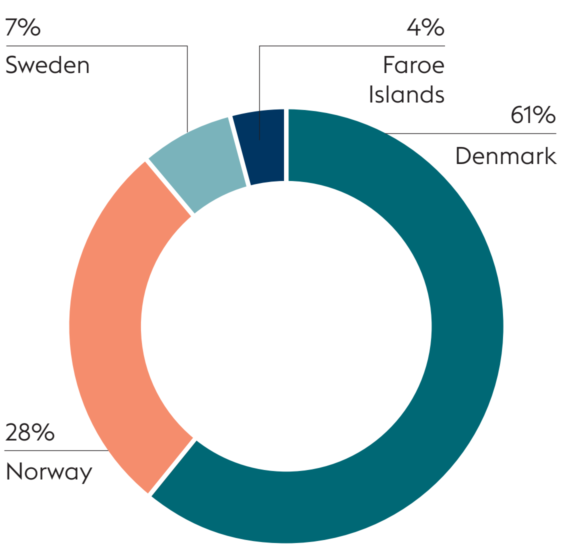
The revenue growth in 2021 compared to 2020 is mainly due to three factors:

1. Price adjustment of 3% compared to the 2020 price level corresponding to approx. DKK 44 million.
2. Income related to conversion of BankNordik corresponding to approx. DKK 54 million.
3. An increase in volume of individual commercial development projects of DKK 43 million.

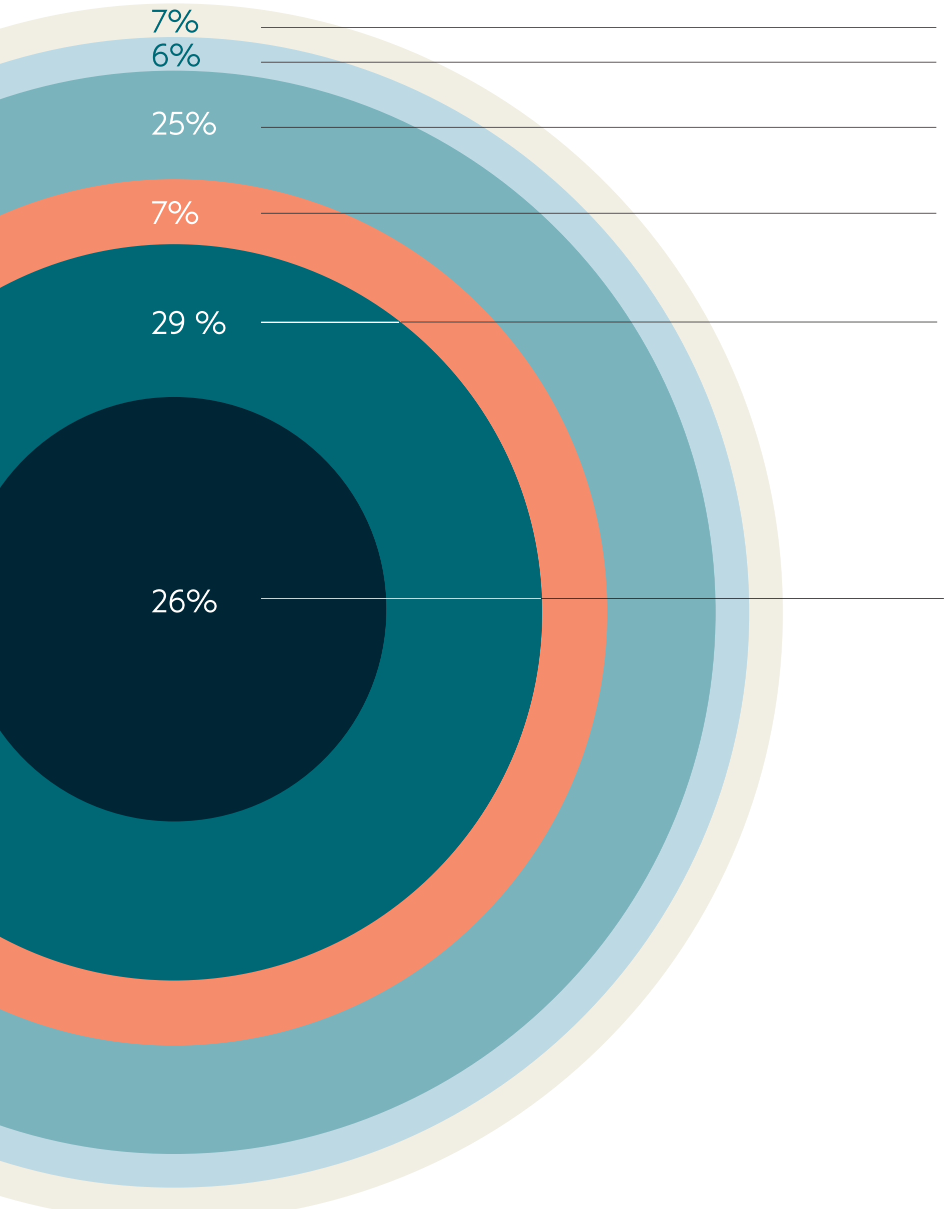
SDC's total revenue of DKK 1,634 million can be broken down as 65% (DKK 1,065 million) related to the customers in Denmark and the Faroe Islands, and 35% (DKK 569 million) related to the customers in Norway and Sweden.

Nominally, SDC's sales to customers in Denmark and the Faroe Islands increased by DKK 132 million with Denmark as primary driver. The growth is driven primarily by individual commercial projects.

Geographical distribution of the company's revenue



Revenue distribution 2021 by services



Sales to customers in Norway increased nominally by DKK 8 million. The increase in the Norwegian revenue is primarily related to the LBA banks having started operations on SDC's platform at the end of 2021 as well as sales to a new customer (Forsvarets Personellservice), while the Eika banks have been very reluctant to invest.

SDC's sales to customers in the Swedish market (DKK 113 million) remained unchanged compared to 2020.

SDC's revenue broken down on types of services is largely unchanged compared to previous years. Revenue by types of services can be broken down as follows:

- 29% for shared development and system maintenance (2020 = 33%)
- 26% for operations and infrastructure (2020 = 28%)
- 25% for commercial activities, primarily for individual system development etc. for individual banks or a group of banks with common needs (2020 = 19%)
- 7% for "Request for Service" and smaller tasks to order (2020 = 7%)
- 7% is other revenue (2020 = 7%)
- 6% for pass through invoicing (2020 = 6%)

Changes in SDC's customers portfolio

It is a natural part of SDC's business that the customer base changes regularly. For example, this can be due to mergers and acquisitions on the financial markets.

Therefore, SDC continuously works to create variability and scalability in its production apparatus and the costs entailed therein. Moreover, SDC is independent of large individual customers. In addition, SDC has a geographical spread of its revenue to several countries and to more than 100 banks across the Nordic region, which gives the company great resilience to movements in the market and the customer base.

Revenue distribution 2017-2021

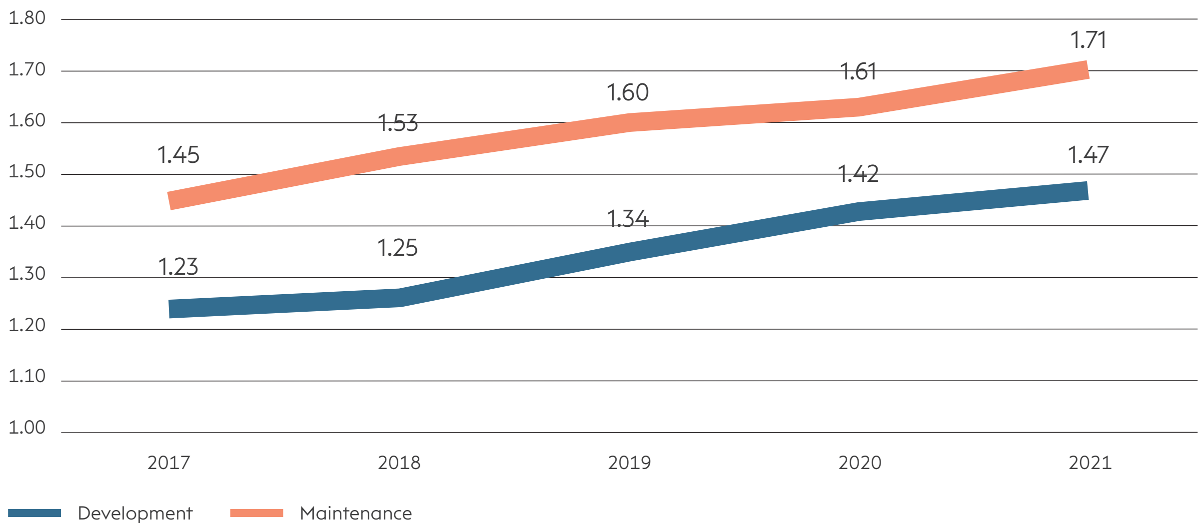
(exclusive of extraordinary one-off revenues)

	2021	2020	2019	2018	2017
DK and FO	65%	62%	59%	62%	59%
NO	28%	30%	32%	31%	30%
SE	7%	8%	9%	7%	11%

BankNordik, who sold its Danish business to Spar Nord Bank in late 2020, is still a customer of SDC with its Faroese business. The part of the business that BankNordik sold in 2020, has been converted from SDC during 2021.

Two of SDC's large Danish customers, Sparekassen Vendsyssel and Jutlander Bank A/S, announced in mid-2021 that they would merge and rebrand themselves in the name of Sparekassen Danmark. In practice, this merger will be completed in SDC's systems in the spring of 2022. Since both Jutlander

Hours provided per DKK 1,000



During the last 5 years SDC has provided 20% more hours for development and 18% more maintenance hours per Danish Krone.

Bank A/S and Sparekassen Vendsyssel are customers of SDC, both banks' revenue will be kept in SDC.

It is expected that there will be further consolidations in the Danish market in future years.

In late 2020, the Norwegian Eika Gruppen terminated the contract between Eika Gruppen and SDC, and according to the contract Eika Gruppen is expected to be converted by end of 2023, which means that SDC is guaranteed the contractual revenue until the end of 2023.

In 2021, a contract was concluded with Eika Gruppen on the Eika banks' conversion from SDC.

The first Eika bank (Eika Kredittbank) is expected to convert by the end of the second quarter of 2022, and the plan is to convert 9 other Eika banks during the second half of 2022. The plan is to convert the remaining 44 banks in Eika Gruppen in 2023.

If some, but not all, of the Eika banks are not converted after all by the end of 2023, these banks' framework agreement will be extended for 12 months on the existing terms.

SDC is actively working to find new customers in Norway, and in 2021 this work led, among other things, to a signed contract between Forsvarets Personellservice and SDC. SDC has engaged with a number of prospects in Norway. In recent years, SDC has attracted more than 30 new banks, and SDC is expected to maintain a revenue in the Norwegian market at a similar level to 2021 and thus maintain its position as the supplier that offers small and mid-sized banks in the Nordic region the most affordable solutions.

Profit from operating activities

SDC's gross profit in 2021 was DKK 749.1 million or 45.8% (2020 = DKK 707.1 million and 47.3%). The nominal increase of DKK 42 million is linked to the revenue growth. The main reason for the relatively slight drop in gross profit correlates with a sharper rise in payroll costs in 2021.

Profit before tax for the company in 2021 was DKK 22.6 million, corresponding til 1.4%, which is noticeably better than profit before tax in 2020, which was DKK 6.7 million, corresponding to 0.5%. The performance improvement partly stems from a nominally better operating result and a better result from financial income and expenditure entailed therein.

The performance improvement is achieved despite generally increased costs and not least growing compliance requirements and a constantly growing maintenance burden due to the annual proliferation of five to ten new systems every year that need maintenance.

The fact that SDC can still improve its performance is due, among other things, to the continuous work of SDC to adjust its costs and simplify the underlying structures. Essential elements include increased use of nearshore resources in system development and management, as well as continuous optimisation of subsupplier and licensing agreements in 2021. Thus, a single project involving the acquisition of financial data used in a range of systems has generated annual savings of DKK 5 million with effect from 2022.

In 2021, savings/cost reductions equivalent to approx. DKK 30 million were identified. These savings are incorporated in SDC's budget for 2022 and beyond. A similar program will be launched in 2022, and here the goal is to further identify approx. DKK 35 million in potential cost reductions to be obtained compared to 2023. This type of savings help to reduce the natural buoyancy in the costs budget.

Nearshore

SDC's strategy is to continue its growth in Poland. By end of 2021, SDC has 27 permanent employees (2020 = 25) and 261 BtB employees (2020 = 219) at the company's location in Poland.

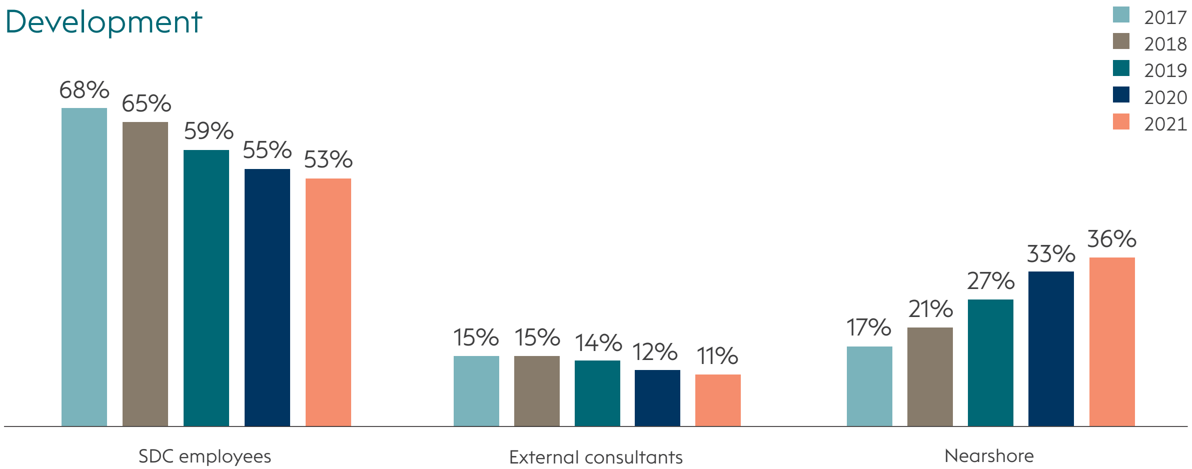
SDC's location in Poland has also been affected by the pandemic in 2021 like SDC's Danish location and the restrictions related thereto, and as a result most of the employees in Poland have worked from home during most of 2021. Despite covid-19, SDC has maintained its strategic focus on expanding its nearshore "muscle" in 2021.

SDC has spent "the covid-19 period" with a lot of working from home in Poland to renovate and reconfigure the present location so that it is ready to support further growth in Poland. This needs to be put in context with SDC's implementation of a "flexible seating" concept, where "floating" workstations for most of the employees will be seen in future. This concept means that the Polish employees on average work from home around 50% of the time.

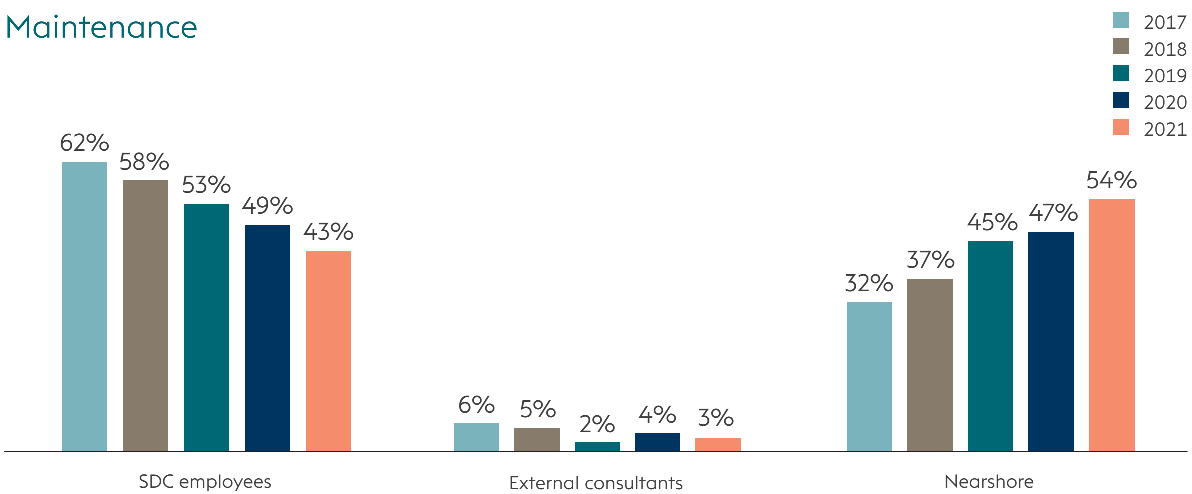
Resource composition

SDC is constantly striving to optimise methods, tools and infrastructure to ensure an even more efficient use of its resources in SDC's nearshore concept in Poland. This has made it possible to increase the part of the system maintenance undertaken by nearshore resources to 54% in 2021 compared to 47% in 2020. The use of nearshore resources is further increased in 2022 to ensure a high and continued increase in the delivery capacity at SDC without a similar increase in the banks' payments to SDC.

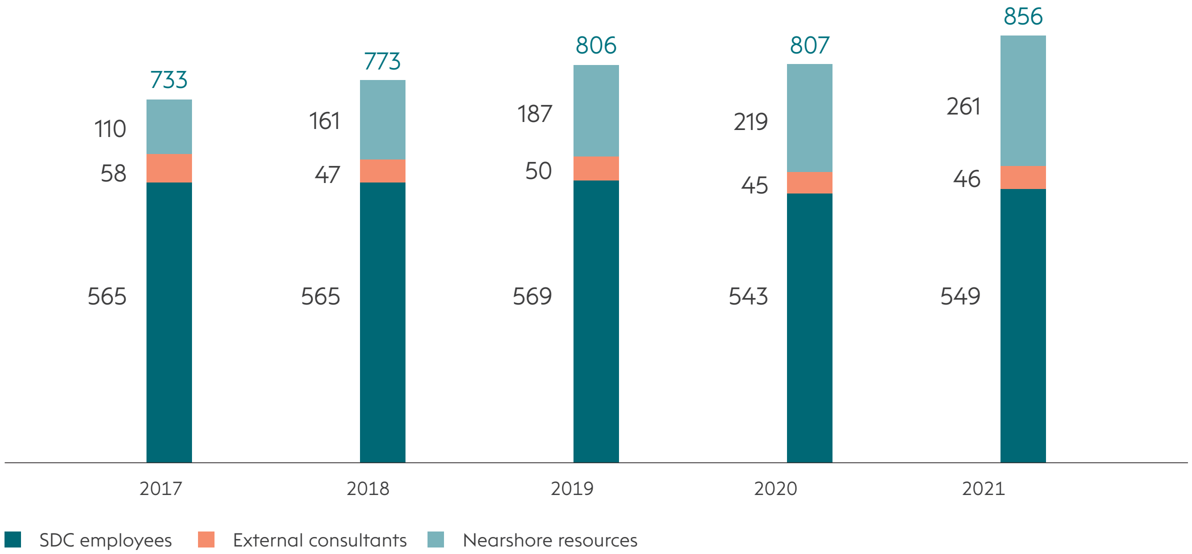
Development



Maintenance



SDC's resources 2017-2021 (FTE, year-end)



Compared with an optimised location, it means that SDC is now able to support the requirements of the strategy for a growing number of employees who work from Poland over the next years within the current framework. Moreover, this is in line with the employees' desire for greater flexibility and the possibility of partially working from home (a form of work that has proven effective during the pandemic). However, SDC believes that in order to maintain both innovation and cohesiveness, employees need a sense of belonging to the company and to regularly meet and physically work with colleagues. To further support collaboration across the company, SDC has invested in a strong upgrade of ICT equipment (Information and Communications Technology), which is fully integrated with MS Teams, to be better able to support project work based on agile projects as well as traditional waterfall projects.

Today, SDC uses nearshore resources in connection with the execution of a wide range of tasks in all parts of the organisation, a large part of which is carried out in Poland.

The effect of SDC's focus on nearshore is that 54% of total maintenance hours produced by end of 2021 were provided by nearshore resources. The corresponding share in 2020 was 47%. This trend is expected to continue in 2022, where the aim is that 55% of all maintenance hours are provided from Poland. In terms of development, 36% of all development hours produced were produced by nearshore resources by end of 2021. The corresponding share in 2020 was 33%. This figure is expected to grow to >37% in 2022.

Generally, SDC expects that the blend rate between Polish and Danish resources will stabilise to reach a desirable level in 2023, while it is expected that 60% or more of all maintenance hours will be provided by nearshore resources, and in terms of development it is expected that 40% or more will be provided via nearshore resources.

SDC's focus on nearshore means that SDC will be able to keep down the customers' costs for shared development and maintenance which helps contain the growing maintenance burden due to an increase in new solutions and systems for the customers.

Staff expenses

For the financial year 2021, gross staff expenses are DKK 557.6 million before transfer to development projects (2020 = DKK 548 million). Out of the gross staff expenses, the basic salary represents 79%, pensions 9% and other staff expenses (primarily payroll tax) 12%. This cost is related to an average number of employees of 553 during 2021.

In 2021, the average gross cost per employee is TDKK 1,008 p.a. (2020 = 977 TDKK p.a.). This represents an annual increase of 3%. This comparatively large increase needs to be put in context with, on the one hand, a contractual revision of the rules on overtime and, on the other hand, a tight labour market. The general contractual regulation in 2021 amounted to 2%, while the combination of changing the rules for the settlement of overtime and wage drift has affected the wage bill by approx. 1% in total. The

Peter Appelros
CIO
Sparbanken Syd

Our strategic partnership with SDC is crucial in order to be able to anchor the necessary actions at the frequency expected from us

Digitalisation is moving fast in Sweden. The bank-owned company P27 Nordic Payments (P27) aims to create an efficient and flexible Nordic payment infrastructure for national and international payments. Our collaboration with SDC is of great importance to our success in this area – both technically and financially. As an independent savings bank, we simply do not have the volume or resources to meet the solution and competence requirements resulting from such a comprehensive transformation as P27 will represent. The value of SDC's large-scale business model is very present and understandable here – joint solutions with joint funding for joint needs.

Compliance and security are also becoming increasingly important. Our strategic partnership with SDC within these areas is crucial in order to be able to anchor the necessary actions at the frequency expected from us. In short, it is a question of maintaining our license to operate in the financial ecosystem.

Sparbanken Syd is the only entirely independent savings bank in Sweden. It gives us the freedom to be able to compose the product and service offer that we find relevant and attractive for our private and commercial customers. Our long-term and close cooperation with SDC is crucial for us to maintain our independence and to put our customer-oriented offerings into practice.

general wage drift is financed by fluctuations between staff outflow and re-employment during the year, as well as, to a lesser extent, the transfer of tasks and functions from Denmark to Poland.

Out of the total gross staff expenses of DKK 557.6 million, DKK 88.5 million were transferred to development projects that are capitalized whereby the staff expenses for the period directly expensed amount to DKK 469 million that are recognised in the profit or loss for the period.

SDC's development costs

SDC's total development costs in 2021 stood at DKK 449 million (2020 = DKK 457 million). The overall development activities cover both costs for shared development and adaptation of SDC's system portfolio to future legal and sectoral requirements, DKK 157 million and 65% of the development activity, as well as further development of the company's pooled system portfolio and system support of process optimisation in relation to new and existing systems in 2021, corresponding to 35% of the total development costs, or total DKK 241 million (2020 = DK 272 million).

To this must be added commercial system development for individual customers, which in 2021 came to DKK 208 million (2020 = DKK 185 million).

Despite constantly increasing regulatory requirements and the on-going level change in terms of SDC's platforms (including, among other things, a new online and mobile banking platform (NEoS), a new advisor platform (Advisor), consolidation for at data warehouse, BI and accounting, Corporate Banking, etc.), SDC will be able to perform these large investments with only moderate increases in the banks' payments and at the same level of the capitalised development costs. The reason is that SDC is constantly focused on the optimisation of its business and the alignment of costs within all areas and is constantly driving a nearshore agenda.

Within the regulatory area, SDC and the SDC banks have decided to invest continuously in updating relevant systems and platforms in vital areas instead of postponing the necessary evolutions and costs by patching obsolete solutions up. As a result, the costs for compliance-based system development have been a considerable part of SDC's overall shared development plan since 2015. The decision has had the result that it has been possible to keep the costs for compliance-based development stable over the years, while establishing a resilient and well-functioning foundation to meet future regulatory requirements, e.g. anti-money laundering solutions, IFRS9 reporting and CRDV reporting in future. In 2021, SDC spent DKK 212 million in total (2020 = DKK 200 million) on compliance-based development.

Depreciation, financial income and expenditure

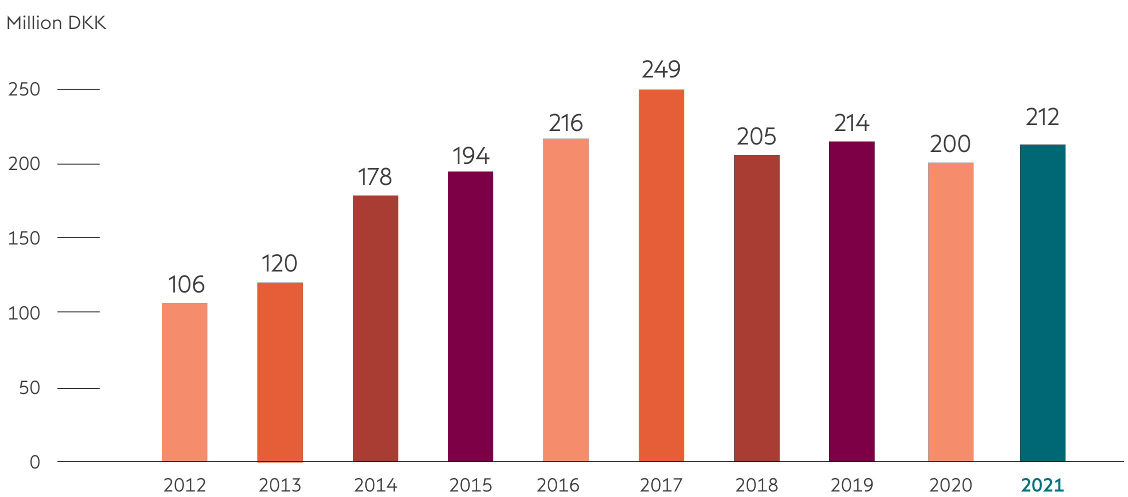
Depreciation and amortization in the financial year 2021 is basically on par with the previous financial year, and total deprecation and amortization in 2021 thus comes to DKK 256.9 million (2020 = DKK 258.7 million). For specification of depreciation, see note 3 to the financial statements.

Depreciation and amortization for the year includes primarily continuous depreciation and amortization (DKK 241 million) and writing down capitalised rights in connection with part-ownership of a software platform in which the company holds part ownership together with another company. This capitalisation is written down to DKK 0 by end of 2021. The value that the reduction represents is DKK 15.9 million.

The termination noticed in 2020 by Eika Gruppen has not materially affected depreciation and amortization for the current financial year. The main reason is that the company already by end of 2020 made provision for depreciation and amortization related to solutions specifically designed for Eika Gruppen and write-downs on platforms that are expected to be replaced within a short period of time, due to SDC's on-going level change on a number of central platforms in the system portfolio – among other things, SDC's current online and mobile banking service that is expected to be fully replaced in 2022 by the new NEoS platform. In 2021 alone, provisions are made for amortization for DKK 20 million compared to DKK 58 million in 2020.

In 2021, SDC had financial costs of DKK -0.4 million (2020 = DKK -0.7 million). The financial costs in 2021 were on par with the realised level in 2020.

Development costs for compliance (Law and sector driven tasks)



Profit/loss for the year

Profit before tax for the financial year 2021 was DKK 22.6 million (2020 = DKK 6.7 million). Net profit for the year was DKK 15.9 million higher than the profit for 2020, which is better than initially forecasted in the 2021 budget. The improvement is due to a higher gross profit of DKK 42 million than the profit for 2020. The improvement in gross profit should be seen in the light of the fact that the company has succeeded in a number of cost regulating initiatives and managed to return to normal with continuous improvements of IT operations primarily.

Tax costs of DKK -9.0 million are recognised in the financial statements for 2021. These costs cover amortization of the company's tax loss carryover by DKK 6 million and payment of tax in the company's Polish branch (DKK 3.0 million).

Equity

SDC's equity at year-end 2021 was DKK 671.9 million compared to DKK 682.1 million by year-end 2020. Changes in equity from 2020 to 2021 is primarily the due to the profit/loss for the period and share buybacks. The company's equity value per share for the year was thus measured at price 402.

Liquidity and cash flows

In the financial year 2021, SDC saw a significant increase in cash flow from operating activities. This increased from DKK 289.7 million in 2020 to DKK 419 million in 2021. This increase of DKK 129.3 million is primarily due to payment in part of withdrawal amounts for exit from BankNordik in connection with BankNordik's sale of the bank's Danish activities by end of 2020.

By end of 2021, the company's cash position was DKK 530.9 million compared to DKK 363.8 million at year-end 2020. The increase in the cash position of DKK 167 million is mainly due to an improvement of cash flows from operating activities (DKK 129.3 million), a decline in the company's cash flow from investment activity (DKK 18.8 million) and share buybacks as well as profit/loss for the period.

Accounting estimates

The annual report is prepared on the basis of assumptions which involve accounting estimates in certain areas. The estimates applied are made by the management in accordance with the accounting practices and on the basis of information and assumptions which the management deems to be justified and true but which in the nature of the case are uncertain and unpredictable.

Items which include significant estimates for the statement of accounts are the following:

- Calculation of withdrawal amounts.
- Recognition of development projects where the value depends on the future earnings within the area.
- Liabilities related to sale of property.
- Recognition of provisions for completion of projects.
- Recognition of deferred tax asset.

Additional matters and conditions

Special risks
SDC's business is not directly exposed to foreign exchange risks, as the company mainly has transactions in DKK and EUR. All customers are invoiced in Danish kroner, and the only significant cost in other currencies will typically be payroll costs in Poland as well as payment of individual deliveries in EUR and PLN and, to a lesser extent, in NOK and SEK.

In case of significant costs in foreign currency, the need for any hedging of exchange rate fluctuations is assessed centrally.

The most important risks at SDC concern the reliability of the systems operated for SDC's customers and data communication between SDC and the customers. These risks are covered through multi-annual agreements with professional suppliers, primarily JN Data A/S on IT operations, TDC on lines and communications as well as NNIT on workplaces and KMD on printing services, etc.

SDC continuously evaluates whether it is appropriate to outsource specific tasks to specialised subsuppliers or whether SDC should produce the services – a so-called make-or-buy assessment.

Other matters and conditions
In accordance with Section 77(1) of the Danish Financial Statements Act, we can inform that SDC by the end of the financial year hold the shares shown in the table.

Shares held by SDC at year-end 2021	
Quantity	63,360 shares of DKK 100
Nominal value	TDKK 6,336
Share of SDC's total capital held by SDC by the end of the financial year	3.65%

The shares are only held temporarily until the next redistribution, where the shares are distributed to the owners in connection with the company's annual redistribution which takes place four weeks after the company's general meeting.

The reason why SDC may shortly be in a situation where the company holds own shares is that the company, in case of customers leaving, in accordance with the Articles of Association, buys back the cutsomers' shares to ensure that they are subsequently redistributed to the other customers of the company at the first succeeding redistribution. The alternative to this practice has been to make a reduction of the share capital.

Future expectations
By the end of the financial year on 31 December 2021, SDC expects to make a revenue in 2022 of minimum DKK 1,734 million and a profit after tax around DKK +11 million.

It is presumed that covid-19 will have less impact in 2022. The nature of SDC's business combined with the company's digital preparedness means that SDC's activities can largely be performed from home, and similarly, access to projects from customers and deliveries to customers will not be significantly dependent on intensive travel activity or on physical contact.

However, it is unclear to what extent the geopolitical situation in Ukraine will affect SDC's business scope in 2022, including how SDC's Polish operations will be affected.

Events after the reporting period
No events have occurred after balance sheet date and up to this date which affect the accounting valuations made in the Annual Report.


Accounting

Financial Statements SDC 2021

General accounting practices

The Annual Report of SDC A/S for 2021 has been prepared in accordance with the provisions governing reporting class C companies under the Danish Financial Statements Act.

The accounting practices applied to these financial statements are consistent with those applied last year.

Accounting estimates

The annual report is prepared on the basis of assumptions which involve accounting estimates in certain areas. The estimates applied are made by management in accordance with accounting practices and on the basis of information and assumptions which management deems to be justified and true but which in the nature of the case are uncertain and unpredictable. Items which include significant estimates for the statement of accounts are the following:

- Withdrawal amounts.
- Development projects.
- Liabilities related to sale of property.
- Provisions for completion of projects.
- Deferred tax asset.

Recognition and valuation

Revenues are recognised in the income statement as earned, including value adjustments of financial assets and liabilities, which are measured at fair value or amortised cost. Furthermore, costs incurred to generate the year's earnings are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when a future outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Translation of foreign currency

The reported currency is Danish kroner.
All other currencies are considered foreign currencies.

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If currency positions are regarded as hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are measured at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arises is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

SDC's branch in Poland forms an integral part of the parent company's activity and is converted according to the temporal method.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included as "Other receivables" and "Other liabilities", respectively.

Changes in the fair value of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is classified as and qualifies for hedge accounting, see below.

Hedge accounting

Changes in the fair value of financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in the income statement together with changes in the fair value of the hedged asset or liability which can be attributed to the risk hedged.

Changes in the fair value of financial instruments designated as and qualifying as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts previously deferred in equity are transferred from equity and recognised in the cost of the asset or liability, respectively. If the hedged transaction results in income or expenses, amounts deferred in equity are transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is included in the same item as the hedged transaction.

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

Segment reporting

Information is provided on revenue according to geographic segments. The company does not provide business segment information as the company's business segments do not differ from each other.

Accounting practices – Income statement

Revenue
Revenue is recognised in the income statement when benefits and risks have passed to the buyer, revenue can be reliably measured and it is likely that the economic benefits from the sale will flow to the company.

Revenue is measured at the fee received and is recognised exclusive of VAT and with deduction of discounts in connection with the sale.

Direct production expenses
Direct production expenses include expenses incurred in connection with the generation of the company's revenue. In addition, expenses for facility management, external consultants, software costs, etc. are also recognised in direct production expenses.

Other external expenses
Other external expenses include expenses incurred for management, maintenance and expenses for premises, sales, consultancy assistance as well as office expenses, etc.

Staff expenses
Staff expenses include wages and salaries as well as related costs, including payroll tax.

Depreciation, amortisation and impairment losses
Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses for the year on intangible and tangible fixed assets.

Income from shares in affiliated undertakings and capital interest
The proportionate share of the profit/loss for the year is included in the income statement under the items "Income from equity investments in subsidiaries" and "Income from equity investments in group undertakings".

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit or loss for the year
Tax for the year, which includes the year's current and deferred tax, is recognised in the income statement as regards the portion that relates to the net profit/loss for the year and is taken directly to equity as regards the portion that relates to entries directly in equity.

Changes in deferred tax due to changes in the tax rates are recognised in the income statement.

The company is jointly taxed with Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is distributed on profit-making and loss-making companies in proportion to their taxable income (full distribution with refund regarding tax losses).

Income statement

Note	TDKK	2021	2020
1	**Revenue**	**1,633,776**	**1,493,377**
	Expenses for raw materials and consumables	-806,903	-732,717
	Other external expenses	-77,766	-53,550
	Gross profit/loss	**749,107**	**707,110**
2	Staff expenses	-469,072	-441,044
3	Depreciation, amortisation and impairment losses	-256,913	-258,656
	Profit/loss before financial income and expenses, net	**23,122**	**7,410**
	Income from equity investments in subsidiaries	0	2,112
	Income from equity investments in group undertakings	1,738	1,970
4	Other financial income	217	494
5	Other financial expenses	-2,440	-5,306
	Profit/loss before tax	**22,637**	**6,680**
6	Tax on profit or loss for the year	-9,036	-677
7	**Profit/loss for the year**	**13,601**	**6,003**

Notes – Income statement

1: Revenue

TDKK	**2021**	2020
Deliveries, Denmark	996,655	865,688
Deliveries, Norway	456,500	448,941
Deliveries, Sweden	112,819	112,874
Deliveries, Faroe Islands	67,802	65,874
	1,633,776	1,493,377

2: Staff expenses

TDKK	**2021**	2020
Salaries	441,718	429,705
Pension insurances	47,763	48,760
Other staff expenses	68,136	69,610
Transferred to development costs	-88,545	-107,031
	469,072	441,044
Remuneration for management and board of directors	6,078	6,200
Average number of full-time employees	553	561

In accordance with Section 98b of the Danish Financial Statements Act, remuneration for the management and board of directors is presented together.

3: Depreciation, amortisation and impairment losses

TDKK	**2021**	2020
Impairment of intangible fixed assets	216,277	197,971
Impairment of tangible fixed assets	5,808	1,843
Depreciation of intangible fixed assets	34,828	57,957
Depreciation of tangible fixed assets	0	178
Profit and loss on sale	0	707
	256,913	258,656

4: Financial income

TDKK	**2021**	2020
Other financial income	217	494
	217	494

5: Financial expenses

TDKK	**2021**	2020
Interest payable to group undertakings	0	2,779
Other financial expenses	2,440	2,527
	2,440	5,306

6: Tax on profit or loss for the year

TDKK	**2021**	2020
Current tax for the year	3,276	677
Deferred tax for the year	5,901	0
Adjustment of tax regarding previous years	-141	0
	9,036	677

7: Distribution of net profit

TDKK	**2021**	2020
Reserve for net revaluation according to the equity method	1,738	-17,643
Retained earnings	11,863	23,646
	13,601	6,003

Accounting practices – Balance sheet

Intangible fixed assets

Development projects and other intellectual property rights

Expenses for development projects include salaries, depreciation and amortisation and other expenses which may be directly or indirectly ascribed to development activities. Clearly defined and identifiable development projects for which technical feasibility, adequate resources and a potential future market or development opportunities can be identified and for which the intention is to market or use the project are recognised as intangible fixed assets if there is adequate security that the value in use of the future earnings may cover the costs of production, sale and maintenance as well as the actual development costs.

Development projects which do not fulfil the criteria for recognition in the balance sheet are recognised as expenses in the income statement as they are incurred.

Capitalised development costs are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount. An amount corresponding to the recognised development costs is reserved in the item "Reserve for development costs" under equity. The reserve comprises only development costs recognised in the financial year starting on 1 January 2016 or later. The reserve is reduced continuously by depreciation, amortisation and impairment losses on the development projects.

Capitalised development costs are amortised from the time of completion on a straight-line basis over the period during which the development work is expected to generate economic benefits. The period of amortisation is usually five years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining time to expiry of the relevant rights, but maximum 10 years.

Intellectual property rights are measured at the lower of cost less the accumulated depreciation, amortisation and impairment losses or the recoverable amount.

Software licences are depreciated on a straight-line basis over the agreement period, but maximum 10 years.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation, amortisation and impairment losses.

Cost comprises the acquisition cost and costs directly related to the acquisition until the time where the asset is ready for use.

The basis of depreciation, which is stated as cost and deduction of any residual value, is distributed on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	50 years
Installations in buildings	10-15 years
Production plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	2-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amount of intangible and tangible fixed assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

In such case, impairment is made at the lower recoverable amount.

Leasing contracts

Leasing contracts related to fixed assets where the company retains all significant risks and rewards inherent to ownership are treated as financial leases. All other leasing contracts are treated as operating leases. Services in connection with operating leases and other leases are recognised in the income statement over the term of the contract. The company's total liabilities regarding operating leases and leases are disclosed under contractual obligations and contingent liabilities, etc.

Shares in affiliated and associated companies

Investments in subsidiaries and associated companies are accounted for and measured using the equity method.

Under the balance sheet items “Equity investments in subsidiaries“ and “Equity investments in group undertakings”, the proportionate ownership share of the companies' equity value is recognised and stated on the basis of the fair value of the identifiable net assets at the time of acquisition with deduction or addition of unrealised intra-group profits and losses and with addition of residual value of any excess values and goodwill stated at the time of the acquisition of the companies.

The total net revaluation of equity investments in subsidiaries and group undertakings is transferred through the distribution of profit to “Reserve for net revaluation according to the equity method“ under equity. The reserve is reduced by dividend distributions to the parent company and is adjusted by other equity movements in the subsidiaries and group undertakings.

Inventories

Inventories are recognised at the lower of cost according to the FIFO method or net realisation value. The net realisation value for inventories is stated as the amount expected to be received from sales in normal operation with deduction of sales costs. The net realisation value is stated with due consideration for negotiability, obsolescence and development in expected sales price.

Receivables

Receivables are measured in the balance sheet at amortised cost, which in this context corresponds to face value. A provision is made for bad debts based on an individual assessment.

Accruals and deferred income

Accruals and deferred income recognised as assets comprise prepaid expenses regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents consists of "Cash at bank and in hand".

Equity

Dividend

Dividend proposed by management to be distributed for the year is shown as a separate item under equity.

Reserve for development costs

Reserve for development costs includes consolidated development costs. The reserve cannot be used for dividends, distribution or covering loss. If the recognised development costs are sold or otherwise excluded from the company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written off, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of the development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by current cost depreciation of the capitalised development costs.

Own shares

Purchase and sales amounts for own shares are recognised directly in equity under retained earnings. Dividend from own shares is recognised directly in equity under retained earnings.

Provisions

Provisions are recognised when, as a result of an event on or before the balance sheet date, the company has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, based on the intended use of the asset or settlement of the liability, respectively.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement or in equity when the deferred tax concerns items recognised inequity.

Current tax receivable and payable

Current tax receivable and payable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Surcharges and refunds under the on-account tax scheme are recognised in the income statement as financial income and expenses.

Financial liabilities

Loans, such as mortgage loans and loans from credit institutions, are recognised at the time of borrowing at the proceeds received, net of transaction costs incurred. In subsequent periods, the loans are measured at amortised cost. Accordingly, the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt of the loan. For bond loans, amortised cost corresponds to a residual debt calculated as the underlying cash value of the loan at the time of borrowing adjusted by the revaluation of the price adjustment for the loan at the time of borrowing over the period of repayment.

Other liabilities are measured at amortised cost, which essentially corresponds to nominal value.

Accruals and deferred income

Deferred income and accrued expenses recognised as liabilities comprises payments received concerning income in subsequent financial years.

Balance sheet – Assets

Note	TDKK	2021	2020
8	**Fixed assets**		
	Intangible fixed assets		
	Completed development projects	534,249	412,017
	Intellectual property rights	0	15,650
	Development projects in progress	270,422	408,218
		804,671	835,885
9	**Tangible fixed assets**		
	Land and buildings	1,874	1,874
	Production plant and machinery	12,059	9,547
	Other fixtures and fittings, tools and equipment	0	121
		13,933	11,542
10	**Fixed asset investments**		
	Shares in affiliated and associated companies	69,781	68,043
	Other receivables	7,045	5,640
		76,826	73,683
	Total fixed assets	895,430	921,110
	Current assets		
	Inventories		
	Finished goods and goods for merchandise	619	658
	Receivables		
	Trade receivables	107,581	102,651
	Other receivables	48,493	26,621
11	Deferred tax asset.	36,418	42,319
12	Accruals and deferred expenses	91,322	98,330
		283,814	269,921
	Cash and cash equivalent	530,945	363,757
	Total current assets	815,378	634,336
	TOTAL ASSETS	1,710,808	1,555,446

Balance sheet – Liabilities

Note	TDKK	2021	2020
13	**Equity**		
	Contributed company capital	173,492	173,492
	Reserve for net revaluation according to the equity method	9,644	7,906
	Reserve for development costs	623,337	616,862
	Retained earnings	-134,564	-116,188
	Total equity	671,909	682,072
14	**Provisions**		
	Other provisions	70,705	58,740
	Total provisions	**70,705**	**58,740**
	Creditors		
	Short-term debt		
	Trade payables	214,180	133,597
	Corporation tax	2,396	423
	Other debt	88,681	101,942
15	Accruals and deferred income	662,937	578,672
		968,194	814,634
	Total creditors	**968,194**	**814,634**
	TOTAL LIABILITIES	**1,710,808**	**1,555,446**

16 **Fee for auditor elected by the general meeting**
17 **Contractual obligations and contingent liabilities, etc.**
18 **Related parties**

Notes – Balance sheet

8: Intangible fixed assets

TDKK	Completed development projects	Intellectual property rights	Development projects in progress	Total
Cost at 1 January 2021	900,564	115,360	408,217	1,424,141
Additions in the year	0	0	219,891	219,891
Disposals in the year	-328,938	0	0	-328,938
Transfers in the year	357,686	0	-357,686	0
Cost price at 31 December 2021	**929,312**	**115,360**	**270,422**	**1,315,094**
Depreciation, amortisation and impairment losses at 1 January 2021	-488,546	-99,710	0	-588,256
Depreciation, amortisation and impairment losses in the year	-235,455	-15,650	0	-251,105
Depreciation and amortisation for the year on assets sold off	328,938	0	0	328,938
Depreciation, amortisation and impairment losses at 31 December 2021	**-395,063**	**-115,360**	**0**	**-510,423**
Accounting value at 31 December 2021	**534,249**	**0**	**270,422**	**804,671**

Completed development projects

Development costs are capitalised in the balance sheet when they have been incurred for new development of products or improvement of existing products which actually increase the value in use.
The company's capitalised development projects are reviewed regularly for indications of impairment.
In such case, write-down is made at the lower recoverable amount.

9: Tangible fixed assets

TDKK	Land and buildings	Production plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2021	1,874	42,434	7,867	52,175
Additions in the year	0	8,199	0	8,199
Cost price at 31 December 2021	1,874	50,633	7,867	60,374
Depreciation, amortisation and impairment losses at 1 January 2021	0	-32,887	-7,746	-40,633
Depreciation and amortisation in the year	0	-5,687	-121	-5,808
Depreciation, amortisation and impairment losses at 31 December 2021	0	-38,574	-7,867	-46,441
Accounting value at 31 December 2021	1,874	12,059	0	13,933

10: Fixed asset investments

TDKK	Shares in affiliated and associated companies	Other receivables	Total
Cost at 1 January 2021	60,137	5,640	65,777
Additions in the year	0	1,405	1,405
Cost price at 31 December 2021	60,137	7,045	67,182
Value adjustments 1 January 2021	7,906	0	7,906
Profit/loss for the year	1,738	0	1,738
Value adjustments at 31 December 2021	9,644	0	9,644
Accounting value at 31 December 2021	69,781	7,045	76,826

Shares in affiliated and associated companies in associated undertakings may be specified as follows:	Registered office	Voting rights and ownership interest
JN Data A/S	Silkeborg	20%

11: Deferred tax asset

TDKK	2021	2020
Deferred tax asset 1 January 2021	42,319	42,327
Adjustment of deferred tax	-6,000	0
Exchange rate changes	99	-8
	36,418	42,319

The recognised tax asset consists primarily of deferred tax regarding tax loss carried forward.
The company has non-recognised tax asset of TDKK 44,748 (2020: TDKK 29,051).

The company has prepared a plan for utilisation of the recognised tax asset.
The recognised tax asset is expected to be utilised within the next ten years.

12: Accruals and deferred expenses

Accruals and deferred expenses consist primarily of prepaid costs regarding software contracts etc., salaries and rent.

13: Equity

The company capital consists of 1,734,920 shares of nominally DKK 100. No shares carry special rights.
The company's own shareholdings comprise nominally TDKK 6,336, corresponding to 3.65 % of the company's total capital.

TDKK	**2021**	2020
The company capital has developed as follows:		
Company capital 1 January 2021	173,492	173,492

14: Other provisions

Other provisions at 31 December 2021 comprises obligations regarding completion of projects and obligations regarding sale of property.

TDKK	**2021**	2020
Other provisions	70,705	58,740
	70,705	58,740

15: Accruals and deferred income

Prepayments and accrued income comprise prepayments received concerning revenue in subsequent financial years.

16: Fee for auditor elected by the general meeting

TDKK	2021	2020
Services		
Statutory audit	675	600
Other services	28	0
	703	600
Project related services		
IFRS9 Statement	813	650
	813	650

17: Contractual obligations and contingent liabilities, etc.

Other contingencies

SDC A/S was the administration company for joint taxation of the Danish companies in the Group in 2020.
SDC A/S is jointly and severally liable for tax on the Group's jointly taxed income, etc.
The company is also jointly and severally liable for Danish tax at source in the form of dividend tax, royalty tax, and interest tax.
Any subsequent adjustments to corporation tax and tax at source may increase the company's liability.

SDC A/S has concluded agreements with service suppliers on delivery of IT services and rent.
Upon withdrawal from these agreements, SDC A/S is obliged to pay a total of DKK 316 million.

18: Related parties

SDC A/S' related parties cover:

- The company's management and board of directors and their close relatives.
- JN Data A/S (associated company).

Remuneration for the management and board of directors is shown in note 2.
Transactions with JN Data A/S include IT services of DKK 346 million (2020: DKK 375 million).
Transactions with related parties have included ordinary sale of services and management fee to former subsidiaries in 2020.

Statement of changes in equity

TDKK	Company capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2021	173,492	7,906	616,862	-116,188	682,072
Purchase of own shares	0	0	0	-23,964	-23,964
Sale of own shares	0	0	0	200	200
Depreciation, amortisation and impairment losses	0	0	-182,442	182,442	0
Development costs for the year	0	0	188,917	-188,917	0
Transferred via net profit distribution	0	1,738	0	11,863	13,601
Equity at 31 December 2021	**173,492**	**9,644**	**623,337**	**-134,564**	**671,909**

Accounting practices – Cash flow statement

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

The liquidity effect of purchase and sale of companies is shown separately under cash flows from investing activities. Cash flows from purchased companies are recognised in the cash flow statement at the time of acquisition, and cash flows from sold companies are recognised to disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year, adjusted for change in working capital and non-cash items in the income statement, such as depreciation, amortisation and impairment losses and provisions. Working capital comprises current assets less current liabilities exclusive of cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to additions and disposals of intangible fixed assets, tangible fixed assets, and fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities include cash flows from the raising and repayment of non-current liabilities and securities as well as ingoing and outgoing payments to and from shareholders.

Cash flow statement

Note	TDKK	**2021**	2020
	Profit/loss for the year	13,601	6,003
	Cash flow from operating activities before change in working capital	**13,601**	**6,003**
19	Adjustments	266,246	259,242
20	Change in working capital	142,392	29,490
	Cash flow from primary operating activities	**422,239**	**294,735**
	Ingoing interest payments and similar	217	494
	Outgoing interest and similar payments	-2,252	-4,671
	Corporation tax paid	-1,162	-852
	Cash flow from operating activities	**419,042**	**289,706**
	Purchase of intangible fixed assets	-219,891	-240,005
	Purchase of tangible fixed assets	-8,199	-6,798
	Purchase of shares	0	-137
	Cash flow from investing activities	**-228,090**	**-246,940**
	Shareholders: Purchase and sale of own shares	-23,764	117
	Cash flow from financing activities	**-23,764**	**117**
	Cash flow for the year	167,188	42,883
	Cash and cash equivalents at beginning of year	363,757	320,874
	Cash and cash equivalents at year-end	**530,945**	**363,757**

Notes – Cash flow statement

19: Cash flow statement – adjustments

TDKK	**2021**	2020
Financial income	-217	-494
Financial expenses	2,252	4,671
Depreciation and amortisation, including profit and loss on sale	256,913	258,656
Income from equity investments in group undertakings	-1,738	-4,091
Tax on profit or loss for the year	9,036	1,005
Other adjustments	0	-505
	266,246	**259,242**

20: Cash flow statement – change in working capital

TDKK	**2021**	2020
Change in inventories	39	-136
Change in receivables	-21,199	-15,963
Change in other provisions	11,965	14,721
Change in suppliers, etc.	80,583	29,926
Change in other debt	-13,261	16,510
Change in accruals	84,265	12,006
Liquidation of SDC Ejendomme A/S	0	-27,574
	142,392	**29,490**

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