

# IFRS

First time adoption of IFRS



Ørn  
Software

# Ørn Software implementing IFRS

Quality control, insights and transparency are essential values to Ørn Software, and at the same time the essence of our customer proposition. These values are the backdrop for our financial reporting as well. Since our IPO in March 2021, we have communicated the intention to transition to financial reporting in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as of the annual report 2021.

With IFRS, Ørn Software will issue financial reports according to the highest recognized international standards, and ensure transparency, consistency and easy comparability with other established companies globally. Even though Ørn Software is listed on Euronext Growth, we will as of now follow the stricter standards for financial reporting on the main list of Oslo Børs.

In the following report, we present our financial statements for 2020 and preliminary statements for 2021 prepared on the basis of IFRS. IFRS based financial statements on a quarterly statement for 2021 will be published at a later stage, in due time for our reporting for the first quarter 2022, 20 May 2022.

Our full annual report for 2021 will be prepared on the basis of IFRS and published 30 March 2022.

Ørn Software will continue to report quarterly and annually on the alternative performance measures (APM), including EBITDA and adjusted EBITDA. As a result of IFRS 16, operating expenses will be reduced with NOK 8 million per year (estimate for 2022). Hence, EBITDA margins and adjusted EBITDA margins will be higher based on IFRS compared to NGAAP. Ørn Software has issued long-term financial targets and 2022 financial guidance, which will be adjusted as a result of the technical effect of the transition to IFRS.

The updated targets are as follows:

2025:

- Revenue: NOK 430 million (unchanged)
- Adjusted EBITDA margin: >45 percent (previously >40 percent)

2022:

- Revenue: Around NOK 270 million (unchanged)
- Adjusted EBITDA margin 32-34 percent (previously 28-30 percent)
- Ørn Software expects to be cash positive in FY2022 adjusted for any special items (unchanged)

According to IFRS M&A cost is included in operating profit. Our guidance is excluding any M&A cost.

# First time adoption of IFRS

These financial statements for the year ended 31 December 2021 represents the first consolidated financial statements of Ørn Software Holding AS in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, the financial statements are prepared to comply with IFRS applicable as of 31 December 2021, with comparative figures for the year ended 31 December 2020. In preparing the financial statements, the opening statement of financial position was prepared as of 1 January 2020, the date of transition to IFRS.

This note explains the principal adjustments made by the Group in its transition to IFRS from NGAAP (Norwegian Generally Accepted Accounting Principles) as of 1 January 2020 for the period ended 31 December 2020 and for the period ended 31 December 2021.

## Exemptions applied

IFRS 1 includes selected optional exemptions upon transition to IFRS. The Group has chosen to apply the following exemptions:

- Restate contract with customers: the Group has decided to use the practical expedient in IFRS 15 Revenue from Contracts with Customers to not restate contracts that are completed at the transition date, 1 January 2020. IFRS 1 defines a completed contract as a contract for which the entity has transferred all of the goods or services as identified in accordance with previous GAAP.
- Cumulative translations differences: as of 1 January 2020, the Group has set its cumulative translation differences that existed at the transition date to IFRS for all foreign operations as zero.
- Leases: The Group has chosen to measure the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date and measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the transition date (IFRS 1.D9B).

The estimates applied on 1 January 2020 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies).

# Reconciliation of consolidated financial position as of 1 January 2020 (unaudited)

	Note	NGAAP*	IFRS adjustments	IFRS
All amounts in NOK thousands				
Goodwill		12 846		12 846
Intangible assets		50 615		50 615
Right-of-use assets	A		7 554	7 554
Property, plant & equipment		1 317		1 317
Other non-current assets	B		1 969	1 969
Other non-current receivables		250		250
<b>Total non-current assets</b>		<b>65 029</b>	<b>9 524</b>	<b>74 553</b>
Trade and other receivables	B	4 696	-1 087	3 609
Cash and cash equivalents		2 320		2 320
<b>Total current assets</b>		<b>7 016</b>	<b>-1 087</b>	<b>5 929</b>
<b>Total assets</b>		<b>72 045</b>	<b>8 437</b>	<b>80 481</b>

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Share capital		4 661		4 661
Share premium		60 425		60 425
Other equity	B	-28 725	688	-28 037
<b>Total equity</b>		<b>36 362</b>	<b>688</b>	<b>37 050</b>
Non-current interest-bearing liabilities	A	13 712	5 392	19 104
Deferred tax liabilities	B	4 028	194	4 222
<b>Total non-current liabilities</b>		<b>17 740</b>	<b>5 586</b>	<b>23 326</b>
Current interest-bearing liabilities	A	3 908	2 162	6 070
Trade and other payables		12 300		12 300
Contract liabilities		1 735		1 735
<b>Total current liabilities</b>		<b>17 943</b>	<b>2 162</b>	<b>20 105</b>
<b>Total liabilities</b>		<b>35 683</b>	<b>7 748</b>	<b>43 431</b>
<b>Total equity and liabilities</b>		<b>72 045</b>	<b>8 437</b>	<b>80 481</b>

\* 01.01.2020 NGAAP numbers are adjusted to reflect corrections made in the financial statement for 2020.  
Please see the financial statement for 2020 for more information

A: Upon transition to IFRS, the Group has implemented IFRS 16 Leases as of 1 January 2020.

The IFRS adjustment of NOK 7.6 million reflects the recognized right-of-use asset related to leasing of office space. Under NGAAP lease payments were accounted for as operating expenses and hence no asset or liability has previously been recognized.

The adjustments of NOK 5.4 million and NOK 2.2 million to non-current interest-bearing liabilities and current interest-bearing liabilities reflect the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16. Under NGAAP no lease liability was recognized.

B: According to IFRS, capitalized contract cost assets are amortized on a systematic basis that is consistent with the entity's transfer of the related services to the customer. Previously, the Group has amortized contract cost assets over a period of 12 months. At transition to IFRS, management has assessed, based on previous experiences, that an amortization period of five years is consistent with the transfer of related services to the customer. The IFRS adjustment of net MNOK 0.9 reflects the increased amortization period of capitalized contracts costs related to obtaining a contract. As a result of the increased amortization period, a reclassification from current to non-current assets of NOK 1.1 million was made.

# Reconciliation of consolidated financial position as of 31 December 2020 (unaudited)

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Goodwill	A	44 260	-3 728	40 532
Intangible assets		141 555		141 555
Right-of-use assets	B		12 518	12 518
Property, plant & equipment		1 740		1 740
Other non-current assets	C	34	3 149	3 183
<b>Total non-current assets</b>		<b>187 589</b>	<b>11 939</b>	<b>199 528</b>
Trade and other receivables	C	17 929	-1 187	16 742
Cash and cash equivalents		65 289		65 289
<b>Total current assets</b>		<b>83 218</b>	<b>-1 187</b>	<b>82 031</b>
<b>Total assets</b>		<b>270 806</b>	<b>10 752</b>	<b>281 558</b>

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Share capital		6 075		6 075
Share premium		104 965		104 965
Other equity	D	-32 467	-2 384	-34 851
<b>Total equity</b>		<b>78 573</b>	<b>-2 384</b>	<b>76 189</b>
Non-current interest-bearing liabilities	B	116 554	8 405	124 959
Deferred tax liabilities	E	14 727	379	15 106
<b>Total non-current liabilities</b>		<b>131 280</b>	<b>8 784</b>	<b>140 065</b>
Current interest-bearing liabilities	B		4 352	4 352
Trade and other payables		27 815		27 815
Contract liabilities		8 424		8 424
Other current financial liabilities		24 714		24 714
<b>Total current liabilities</b>		<b>60 953</b>	<b>4 352</b>	<b>65 304</b>
<b>Total liabilities</b>		<b>192 233</b>	<b>13 136</b>	<b>205 369</b>
<b>Total equity and liabilities</b>		<b>270 806</b>	<b>10 752</b>	<b>281 558</b>

\* 31.12.2020 NGAAP numbers are adjusted to reflect changes made to the PPAs of companies acquired in 2020. Please see the financial statement for Q1 2021 for more information.

A: Prior to the transition to IFRS, goodwill was amortized, and acquisition costs were capitalized. Reversal of previously recognized amortization under NGAAP amounts to NOK 4.4 million, acquisition related costs previously included in the acquisition cost under NGAAP that are expensed under IFRS amounts to NOK 7.7 million. In addition, a translation difference of NOK 0.5 million has been recognized.

B: The IFRS adjustment of NOK 12.5 million reflects the recognized right-of-use asset related to leasing of office space. Under NGAAP lease payments were accounted for as operating expenses and hence no asset or liability has previously been recognized.

The adjustments of NOK 8.4 million and NOK 4.4 million to non-current interest-bearing liabilities and current interest-bearing liabilities reflect the non-current and current portion of the lease liability recognized for leasing of office space under IFRS 16. Under NGAAP no lease liability was recognized.

C: The IFRS adjustment of net NOK 2.0 million to other non-current assets and trade and other receivables reflects the increased amortization period of capitalized contracts costs related to obtaining a contract. As a result of the increased amortization period, a reclassification from trade and other receivables to other non-current assets of NOK 1.2 million was made.

D: The IFRS adjustment of NOK 1.9 million consists of the P&L effect of the years IFRS adjustments in addition to the IFRS adjustments in the opening balance of equity at the date of transition to IFRS.

E: The IFRS adjustment of NOK 0.4 million in deferred tax liabilities is a result of changes in cost to obtain a contract and IFRS 16.

# Reconciliation of consolidated statement of comprehensive income as of 31 December 2020 (unaudited)

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Revenue from contracts with customers		81 068		81 068
Other income		857		857
<b>Total operating income</b>		<b>81 925</b>		<b>81 925</b>
Cost of goods		5 900		5 900
Salary and personnel expenses	A	41 815	-1 080	40 735
Depreciation and amortization	B	21 271	-1 416	19 854
Other operating expenses	C	16 338	-3 384	12 954
M&A Costs	D		7 694	7 694
<b>Operating profit or loss</b>		<b>-3 398</b>	<b>-1 814</b>	<b>-5 212</b>
Finance income		779		779
Finance expense	E	3 463	589	4 052
<b>Net financial items</b>		<b>-2 683</b>	<b>-589</b>	<b>-3 272</b>
<b>Profit or loss before tax</b>		<b>-6 081</b>	<b>-2 403</b>	<b>-8 484</b>
Income tax expense	F	-1 685	185	-1 500
<b>Net profit or loss for the year</b>		<b>-4 396</b>	<b>-2 588</b>	<b>-6 984</b>
<b>Other comprehensive income</b>				
<i>Items which may subsequently be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations			-484	-484
<b>Other comprehensive income for the year</b>	G		<b>-484</b>	<b>-484</b>
<b>Total comprehensive income for the year</b>		<b>-4 396</b>	<b>-3 072</b>	<b>-7 468</b>

A: The IFRS adjustment of NOK 1.1 million reflects the effect of increased amortization period of capitalized contract costs assets (sales commission) related to obtaining a contract.

B: The IFRS adjustment of NOK 1.4 million reflects the reversal of amortized goodwill under NGAAP of NOK 4.4 million and the depreciation of right-of-use assets for the period for leases recognized under IFRS 16 of NOK 3.0.

C: The IFRS adjustment of NOK 3.4 million consists of reversal of previously expensed leases under NGAAP.

D: The IFRS adjustment of NOK 7.7 million consists of acquisition related costs previously included in the acquisition cost under NGAAP that are expensed under IFRS.

E: The IFRS adjustment of NOK 0.6 million is related to interest expense on the lease liability under IFRS 16.

F: The IFRS adjustment of NOK 0.2 million reflects the tax income effect on the relevant IFRS adjustments.

G: The IFRS adjustment of NOK 0.5 million reflects translation differences mainly related to goodwill and IFRS 16.



# Reconciliation of consolidated financial position as of 31 December 2021 (unaudited)

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Goodwill	A	348 222	54 699	402 920
Intangible assets	B	388 021	372	388 393
Right-of-use assets	C		19 307	19 307
Property, plant & equipment		1 788		1 788
Other non-current assets	D	34	3 823	3 856
Other non-current receivables		1 684		1 684
<b>Total non-current assets</b>		<b>739 749</b>	<b>78 200</b>	<b>817 949</b>
Trade and other receivables	D	27 398	-1 199	26 199
Cash and cash equivalents		134 456		134 456
<b>Total current assets</b>		<b>161 854</b>	<b>-1 199</b>	<b>160 655</b>
<b>Total assets</b>		<b>901 603</b>	<b>77 001</b>	<b>978 604</b>

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Share capital		9 440		9 440
Share premium		454 445		454 445
Other equity	E	-112 985	19 611	-93 374
<b>Total equity</b>		<b>350 899</b>	<b>19 611</b>	<b>370 510</b>
Non-current interest-bearing liabilities	F	411 564	9 671	421 235
Deferred tax liabilities	G	53 477	-10 002	43 475
Non-current provisions				
<b>Total non-current liabilities</b>		<b>465 042</b>	<b>-331</b>	<b>464 710</b>
Current interest-bearing liabilities	H		7 391	7 391
Trade and other payables	I	70 412	2 845	73 257
Contract liabilities	J	15 250	47 485	62 736
Other current financial liabilities				
<b>Total current liabilities</b>		<b>85 662</b>	<b>57 721</b>	<b>143 383</b>
<b>Total liabilities</b>		<b>550 704</b>	<b>57 390</b>	<b>608 094</b>
<b>Total equity and liabilities</b>		<b>901 603</b>	<b>77 001</b>	<b>978 604</b>

A: The IFRS adjustment of NOK 54.7 million consists of several effects. Prior to the transition to IFRS, goodwill was amortized, and acquisition costs were capitalized. Reversal of previously recognized amortization under NGAAP amounts to NOK 33.6 million, acquisition related costs previously included in the acquisition cost under NGAAP that are expensed under IFRS amounts to NOK 18.4 million. Adjustments to purchase price allocations performed under IFRS accounts for an increase in goodwill of NOK 39.5 million. In addition, a translation difference of NOK 0.5 million has been recognized.

B: The IFRS adjustment of NOK 0.4 million consists of translation differences.

C: The IFRS adjustment of NOK 19.3 million reflects the recognized right-of-use asset related to leasing of office space. Under NGAAP lease payments were accounted for as operating expenses and hence no asset or liability has previously been recognized.

D: The IFRS adjustment of net NOK 2.6 million to other non-current assets and trade and other receivables reflects the increased amortization period of capitalized contracts costs related to obtaining a contract. As a result of the increased amortization period, a reclassification from trade and other receivables to other non-current assets of NOK 1.2 million was made.

E: The IFRS adjustment of NOK 19.6 million consists of the P&L effect of the years IFRS adjustments, in addition to the IFRS adjustments in the opening balance of equity at the date of transition to IFRS.

F: The adjustments of NOK 12.0 million reflects the non-current portion of the lease liability recognized for leasing of office space and other equipment under IFRS 16 of NOK 14.9 million and a reduction of NOK 2.8 million related the fair value adjustment of favorable government loans under IAS 20. Under NGAAP no lease liability was recognized.

G: The IFRS adjustment of NOK 3.7 million in deferred tax liabilities consist of the effect of IFRS adjustments related changes to the purchase price allocations of NOK 5.2 million, as well as changes to cost to obtain a contract and IFRS 16, a specified under the changes to consolidated statement of comprehensive income.

H: The adjustments of NOK 7.4 million reflect the current portion of the lease liability recognized for leasing of office space and other equipment under IFRS 16. Under NGAAP no lease liability was recognized.

I: The adjustments of NOK 2.8 million reflect the adjustment of the valuation of favorable government loans under IAS 20, which states that the benefit of a government loan at a below-market rate of interest should be treated as a government grant.

J: In accordance with IFRS 15, certain implementation/set-up and on-boarding services should be accounted for together with SaaS license, and not when these activities are performed or invoiced. This has resulted in a IFRS adjustment of NOK 47.5 million, of which NOK 39.5 million increases Goodwill through changes to the PPA, reduced deferred tax liabilities of NOK 10.4 million, with the difference through consolidated statement of comprehensive income.

# Reconciliation of consolidated statement of comprehensive income as of 31 December 2021 (unaudited)

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Revenue from contracts with customers	A	193 918	2 524	196 441
Other income				
<b>Total operating income</b>		<b>193 918</b>	<b>2 524</b>	<b>196 441</b>
Cost of goods		20 567		20 567
Salary and personnel expenses	B	101 331	-662	100 669
Depreciation and amortization	C	74 805	-22 632	52 174
Other operating expenses	D	48 131	-7 301	40 830
M&A Costs	E		10 683	10 683
<b>Operating profit or loss</b>		<b>-50 917</b>	<b>22 435</b>	<b>-28 482</b>
Finance income		26 144		26 144
Finance expense	F	43 460	1 146	44 605
<b>Net financial items</b>		<b>-17 315</b>	<b>-1 146</b>	<b>-18 461</b>
<b>Profit or loss before tax</b>		<b>-68 232</b>	<b>21 289</b>	<b>-46 943</b>
Income tax expense	G	-8 626	621	-8 005
<b>Net profit or loss for the year</b>		<b>-59 607</b>	<b>20 669</b>	<b>-38 938</b>
<b>Other comprehensive income</b>				
<i>Items which may subsequently be reclassified to profit or loss</i>				
<i>Exchange differences on translation of foreign operations</i>			-5 006	-5 006
<b>Other comprehensive income for the year</b>	H		<b>-5 006</b>	<b>-5 006</b>
<b>Total comprehensive income for the year</b>		<b>-59 607</b>	<b>15 663</b>	<b>-43 944</b>

A: The IFRS adjustment of NOK 2.5 million relates to changes in deferred revenue due to timing differences or revenue recognition.

B: The IFRS adjustment of NOK 0.7 million reflects the effect of increased amortization period of capitalized contract cost assets (sales commission) related to obtaining a contract.

C: The IFRS adjustment of NOK 22.3 million reflects the reversal of amortized goodwill under NGAAP of NOK 29.2 million and the depreciation of right-of-use assets for the period for leases recognized under IFRS 16 of NOK 6.9 million.

D: The IFRS adjustment of NOK 7.7 million consists of reversal of previously expensed leases under NGAAP.

E: The IFRS adjustment of NOK 10.7 million consists of acquisition related costs previously included in the acquisition cost under NGAAP that are expensed under IFRS.

F: The IFRS adjustment of NOK 1.2 million is related to interest expense on the lease liability under IFRS 16.

G: The IFRS adjustment of NOK 0.6 million reflects the tax income effect on the relevant IFRS adjustments.

H: The IFRS adjustment of NOK 5.0 million consist of translation differences mainly related to intangible assets and goodwill.

# Reconciliation of EBITDA and adjusted EBITDA (alternative performance measures)

The Groups earnings before interest, tax, depreciation and amortization (EBITDA) is used to provide consistent information on Ørn Softwares operating performance relative to other companies and frequently used by analysts, investors and other stakeholders. EBITDA, as defined by Ørn Software, includes total operating revenue. It excludes depreciation and amortization.

Adjusted EBITDA is defined as EBITDA adjusted for material items which are not regarded as part of underlying business performance for the period, such as costs related to acquisitions and divestments, restructuring costs and rebranding, as well as other material effects of a special nature. Special items as of NOK 21.7 million is specified in Ørn Software Q4 2021 report.

	Note	NGAAP	IFRS adjustments	IFRS
All amounts in NOK thousands				
Recurring		164 511		164 511
Non-recurring revenue		29 406	2 524	31 930
<b>Total revenue</b>		<b>193 918</b>	<b>2 524</b>	<b>196 441</b>
COGS		-20 567		-20 567
M&A Costs			-10 683	-10 683
Total OPEX		-149 462	7 963	-141 499
<b>EBITDA</b>		<b>23 888</b>	<b>-197</b>	<b>23 691</b>
Margin (%)		12 %		12 %
Special items		21 776		21 776
M&A Costs			10 683	10 683
<b>Adjusted EBITDA</b>		<b>45 665</b>	<b>10 486</b>	<b>56 151</b>
Margin (%)		24 %		29 %



