Nets Denmark A/S

Annual Report 2020

Adopted at the Annual General Meeting
on 25 March 2021

Chair of the AGM:

Louise Rubæk Andersen

Nets Denmark A/S
Klausdalsbrovej 601
DK-2750 Ballerup
www.nets.eu
CVR no. 20 01 61 75

Key figures

(DKK million)	2020	2019*	2018**	2017***	2016***
Income statement					
Revenue	4,483	7,176	7,263	7,289	7,381
Result before depreciation, amortisation and impairment losses	701	1,901	2,082	2,356	2,384
Operating result	-155	1,201	1,360	1,745	1,898
Result from financial income and expenses, net	-34	-31	-51	26	821
Net result for the year	383	1,027	1,107	1,529	1,878
Balance sheet at 31 December					
Total assets	17,456	13,897	15,453	15,920	14,632
Investment tangible assets	118	377	119	401	2,473
Investment intangible assets	515	667	463	313	392
Equity	5,494	5,241	5,295	5,818	4,882
Financial ratios (%)					
Operating margin	-3	17	19	24	26
Liquidity ratio	55	106	117	126	114
Solvency ratio	32	38	34	37	33
Return on equity	7	20	20	29	40

*) Key figures for 2019 have been restated due to the merger of Nets Spectracard AB and Nets Denmark A/S as the continuing company at January 1, 2020. The restating is completed by using the aggregation method of the companies (proforma).

**) Key figures for 2018 have been restated due to the merger of Dibs Payment Services AB, Dibs Payment Services A/S, Dibs AS, Dibs Payment Services i Göteborg AB, Debitech AB, Verifyeasy AB and Nets Denmark A/S as the continuing company at January 1, 2019. The restating is completed by using the aggregation method of the companies (proforma).

***) Key figures for the years 2017 - 2016 have been restated due to the merger at 1 January 2017 of Nets Oy and Nets Finland Oy. The restating is completed by using the aggregation method of the companies (proforma).

Management's Review

Business foundation

Nets Denmark A/S' objective is to conduct business with payment and transmission of information, card and data service activities and other business related thereto as well as promote the development and use of a common infrastructure for the financial institutions.

Business model

2020 was a defining year for Nets where we delivered on our ambitious transformation plan to create a leading and preferred payments partner for merchants and issuers in Europe. This was driven by our continued focus on growth and profit accretive acquisitions especially within eCom and SME merchant services, new customer wins, integration synergies and solid cost control. Ultimately, in Q4, we reached a new milestone in our transformation journey, as the Nets Group entered into a binding merger agreement with Italy-based PayTech leader Nexi. In 2020, we continued our European expansion with focus on the high growth areas of eCom and SMEs in mainly Poland and Finland.

In March 2021, the sale of Nets Denmark A/S' subsidiaries, Centurion Denmark A/S, Centurion NO AS and Centurion NNI AS, to Mastercard for EUR 2.85 billion was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions.

A demerger was initiated in 2019 and effectuated July 31st 2020 with accounting effect from January 1st 2020. In the demerger, Centurion Denmark A/S and Centurion NO AS received the Corporate Services - Account to Account business, from Nets Denmark A/S. The Account to Account business, consists of the payment services business for Nordic corporate customers including branches of foreign corporate customers. The demerger did not lead to any capital reduction, since it was a vertical demerger with Nets Denmark A/S as the sole shareholder.

Nets Denmark A/S has merged with affiliated companies with Nets Spectracard AB, effective 1 January 2020. Nets Denmark A/S, Ballerup is the continuing company.

Nets Denmark create value by delivering payments and digital services that are used by thousands of merchants, hundreds of financial institutions, thousands of corporates and millions of consumers across the Nordic countries, Poland and Baltic regions, and that benefit communities and society as a whole.

Nets Denmark invest in, maintain and operate a considerable number of services critical to several national payment infrastructures, such as domestic debit card schemes, clearing systems, e-identity schemes and payment platforms, security, stability and high performance remain our top priorities.

As a leading provider of digital payment services and related technology solutions across the Nordic region and subsidiaries in Poland, Nets Denmark sits at the centre of the digital payments ecosystem, and we operate a deeply entrenched network which connects merchants, financial institutions, corporate customers and consumers, enabling them to make and receive payments as well as, increasingly, utilise value-added services to help them improve their respective activities. Nets Denmark operates across the entire value chain from payment capture and authorisation through to processing, clearing and settlement.

Nets enables digital payments across all major channels – in person, online, and via a mobile device – and a large number of our services are used by a majority of consumers in the Nordic countries and Poland, such as direct debit payments, card payments, digital authentication and invoice solutions. While we offer merchants acquiring solutions, point-of-sale terminals and e-commerce directly to the merchants, services delivered to the corporates, such as direct debit and invoicing solutions, are offered in close co-operation with financial institutions. Other solutions, e.g. card payments and the national identity schemes NemID and BankID, are also offered in close co-operation with the financial institutions. In Denmark, we own some of our key services, such as Dankort and Betalingsservice, while we in Norway operate similar services, including invoice solutions, direct debit payments and BankAxept card payments, on behalf of and in close co-operation with our customers.

Financial performance

Operating result for the year was negative DKK 155 million, which was a decrease of DKK 1,355 million compared to 2019. The decrease is highly driven by the de-merger of the Nets account-to-acount business, into subsidiaries owned 100% by Nets Denmark A/S.

Result from subsidiaries increased to DKK 3,192 million compared to 2019 DKK 148 million, driven by operating activities from de-mergered activities and from a de-merger related deferred tax asset, recognized in the subsidiary Nets Centurion DK A/S.

Tax for the year was a cost of 2,654 million, compared to to a cost of DKK 290 million. In connection with the de-merger of Account-to-Account activities, a net payable tax of DKK 2,660 million was recognized in Nets Denmark A/S

Net result for the year was positive, DKK 393 million, which is a decrease of DKK 644 million compared to 2019.

Result for the year, declined following the COVID-19 pandemic, which made significant impacts on the payments industry in midst of cancellations, restrictions and lockdowns.

Revenue and result for the year, was below expectations.

Equity amounted to DKK 5,494 million, which is equivalent to a solvency ratio of 29% compared to 38% at the end of 2019. Proposed dividends amounted to DKK 0 million, compared to DKK 0 million in 2019.

The Danish Payment Services Act requires that companies offering payment services must have authorisation from the Danish Financial Supervisory Authority to operate as a Payment Institution. Nets Denmark A/S has been approved as a Payment Institution, and the capital requirement in accordance with the rules of the Danish Financial Supervisory Authority has been calculated at DKK 325 million.

Merchant Services

Merchant Services provides our merchant customers with payment acceptance solutions across channels (in store, online and mobile) and with the broadest range of payment methods in the Nordic region, including Visa, MasterCard, JCB, and local payment brands. Merchant Services is present across Nordic countries, Poland and the Baltic countries and works with a broad set of value-adding partners across the region.

Merchant Services manages and simplifies merchants' payments flow. We enable merchants to accept payments, easily and without friction regardless of channels, receive the settlement in their bank account and get detailed reconciliation information and statistics, all in different currencies and frequencies depending on merchant needs and consumer preferences.

The acquiring revenue is primarily driven by a value-based fee per transaction with monthly subscription fees for additional services, while the terminal sales revenue is primarily driven by monthly subscription fees on terminals from rental fees, software fees and value-added services such as special support and/or payments from customers buying their terminals.

Issuer & eSecurity Services

Issuer & eSecurity Services provides processing services for issuers of payment cards, primarily banks, in the Nordic region as well as complementary services, including Consumer Management Services (CMS), Fraud & Dispute solutions, and Mobile Services.

The business segment also operates and/or processes the national debit card systems in Denmark and Norway, branded Dankort and BankAxept respectively. These schemes have been instrumental in the establishment of a modern Nordic electronic card payment infrastructure.

Issuer & eSecurity Services also offers national e-identity solutions in Denmark and Norway.

Corporate social responsibility (CSR)

Please find the statutory statement on Corporate Social Responsibility description of this subject in the Nets A/S consolidated financial statement for 2020.

With respect to the statutory statement on social responsibility in accordance with section 99a of the Danish Financial Statements Act, please refer to the report on Corporate Social Responsibility 2020 for Nets A/S.

Report on gender composition of management

With respect to the gender composition of board members elected by the General Assembly as well as the policy for the underrepresented gender on other managerial levels in accordance with the Danish Financial Statements Act section 99b, please refer to the report on Corporate Social Responsibility 2020 for Nets A/S.

Risk management

Risk management is an integral part of our way of doing business at Nets Group and helps us understand and manage the uncertainties inherent in our strategy and the daily running of our business.

Risk management is anchored in the organisation and supported by continuous risk processes with quarterly reporting in business segments and group functions that results in a consolidated risk picture providing a clear and complete overview of all identified risks at Nets to the Executive Management.

The Board of Directors of Nets Denmark A/S is responsible for the overall governance and oversees our risk landscape and approves strategies and policies within the areas of risk management, security, business continuity, GDPR, merchant acquiring credit risk, treasury risk, anti-money laundering and competition law compliance.

Nets Denmark is a company within the overall Nets Group. The Board of the Nets Group has appointed an Audit Committee and a Risk Committee which, among other tasks, monitors risk management and compliance strategies, policies, processes and methodology.

A "three lines of defence" model is implemented throughout the organisation and forms the basis for risk decision-making within Nets. The model is used to structure roles, responsibility and accountability for decision-making concerning risk and internal controls, and to ensure good collaboration between the three lines.

- **First line** – Business segments and Group units
  The business and group units perform the day-today risk-bearing activities and are responsible for identifying, assessing and treating risks within those activities. The business segments and group units are responsible for compliance with legal, contractual and regulatory requirements.

- **Second line** – Risk management and Compliance & Regulatory
  The Risk Management function is responsible for defining policies, standards and procedures for risk-based decision-making, internal control and reporting. Risk Management facilitates the risk assessment process, maintains Nets' enterprise-wide risk landscape and ensures that risk mitigation plans are progressing in the business segments and group units.

  The Compliance & Regulatory function is responsible for monitoring and assessing Nets' compliance with current legislation, market standards and internal policies. Compliance & Regulatory prepares management reporting and advises on how to prevent and mitigate identified compliance risks, including creating awareness and providing training as required to business units.

- **Third line** – Independent assurance
  The third line is maintained by Nets' internal auditors, providing independent assurance concerning the risk and control functions performed by the first and second lines. Internal Systems Audit coordinates and performs the audit of the general IT controls in Nets, the IT-based user systems and applications and the IT systems offered for the exchange of data with the connected data centres and associated financial enterprises. Additionally, the core business processes in Nets and projects, which are important to Nets' customers or internally within Nets, are audited.

The risks described below are those currently considered the most material to our business.

The risks are the result of risk assessments and workshops within the different business segments and group units in Nets. Top management review the risks and prioritise, approve and follows up on mitigation actions. The mitigation to the risks set out below are examples described in summary form to further the understanding of the risk in question and how it may be mitigated.

The risks described below are not listed in any particular order of priority as to significance or probability, and only contain selected example mitigations

Industry and market transformation

Underlying market transformation from cash to digital payments supported by technological developments, regulatory changes and new market participants are impacting consumer behaviour. The payments eco-system is developing at a fast pace, and market participants must evolve with it if they want to be part of the underlying market growth.

Information security

Every day, Nets processes and stores large amounts of data related to the processing of financial transactions, connecting merchants, financial institutions, corporate customers and consumers, and enabling them to make and receive digital payments. Nets operates across the payments value chain from payment capture and authorisation through to processing, clearing and settlement. Due to the high value of such information assets and their systemic importance to several national financial infrastructures, Nets faces a range of threats from different threat agents such as hacktivists, organised crime and even nation states. Relevant security threats include social engineering such as phishing and spear-phishing, hacking, supply chain attacks as well as the introduction of system malware or ransomware that make data unreadable.

Stability and operations

Nets operates a considerable number of critical payment and identity platforms throughout Europe, such as domestic debit card schemes and direct debit solutions, clearing systems, digital authentication schemes and payment processing platforms. As these platforms are critical for the broader society as well as for our customers, government organisations and authorities, ensuring platform stability has a very high priority at Nets. Potential risk causes include insufficient application deployment and testing processes, incident management issues, failing infrastructure components, data centre transitions or Distributed Denial of Service (DDoS) attacks – both at Nets and at the suppliers involved in delivering the services

Merchant Service credit risk

Credit risk is broadly defined as the risk that a financial loss will be incurred if a counterparty (merchant, consumer, bank, supplier) does not fulfil its financial obligations. Most significant is the risk arising from merchants in case the merchant is not able or willing to deliver the prepaid goods or services to their customers due to e.g. insolvency or fraud, the customer's bank will charge-back the amount from Nets, who will claim the amount from the merchant. If this proves unsuccessful, Nets will bear the loss.

COVID-19

The COVID-19 pandemic continues to affect societies across the world. It has forced regional and national lockdowns for periods of time, which are negatively impacting businesses and societies. The main areas impacted for Nets are:

Business continuity – Governmental instructions for working from home, concerns for personnel safety and other measures have, within a short period of time, imposed a vast need to manage continued business operations securely and stably from remote distances and through new ways of working.

Merchant acquiring credit risk exposure – Restrictions related to COVID-19 particularly impact the pre-payments segments, e.g. airlines, travel, lodging, etc., which are part of Nets' merchant portfolio.

Revenue – The payments industry generates revenue from transaction volumes. Regional and national lockdowns have reduced payment activities, negatively impacting transaction volumes and therefore revenue.

Regulatory environment

As Nets expands geographically, it is becoming subject to laws and regulations in new jurisdictions in which it operates as well as in existing markets. The Payment Service Directive (PSD2), the General Data Protection Regulation (GDPR) and the Anti Money Laundry / Combating the Financing of Terrorism (AML/CFT) legislation are examples of requirements where Nets is investing time and resources to maintain adherence across the company and its subsidiaries.

Outlook for 2021

In 2020, we saw that the COVID-19 pandemic made a significant impact on the payments industry in midst of cancellations, restrictions and lockdowns causing a significant drop in the number of payment transactions performed. Assuming a gradual recovery and return to normal circumstances beginning of Q2 2021, Nets expects a year with higher revenue and increasing operating result margins. Nets will continue to streamline operations and processes and invest in innovative solutions with an ambition to create value for our customers, partners and shareholders, and deliver on stability, security and integrity to build the future of Nets.

In March 2021, the sale of Nets Denmark A/S’ subsidiaries, Centurion Denmark A/S, Centurion NO AS Centution NNI AS, to Mastercard for EUR 2.85 billion was completed upon receipts of all regulatory approvals and fulfilment of all customary closing conditions. It is expected that the sale will have a positive impact on Nets Denmark A/S’ result for 2021.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Nets Denmark A/S for the financial year 1 January – 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the Financial Statements give a true and fair view of the Company's financial position as at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Ballerup, 25 March 2021

Executive Board

Torsten Hagen Jørgensen
CEO

Robert Hoffmann

Board of Directors

Bo Nilsson
Chairman

Klaus Pedersen

Pia Jørgensen

Janus Hillerup

Independent Auditor's report

To the Shareholder of Nets Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Nets Denmark A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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

Hellerup, 25 March 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Michael Groth Hansen
State Authorised Public Accountant
mne33228

Income statement

Notes	DKKm	2020	2019
2	Revenue	4,483	7,176
	External costs	-2,136	-3,243
3	Staff costs	-1,646	-2,032
	Operating result before depreciation, amortisation and impairment losses	**701**	**1,901**
7 & 8	Depreciation, amortisation and impairment losses	-856	-701
	Operating result	**-155**	**1,200**
9	Result from subsidiaries after tax	3,192	132
9	Gain from sale of shares	-	16
10	Result from associates after tax	34	-
	Result before financial income and expenses	**3,071**	**1,348**
	Fair value adjustment of Visa shares	2	37
4	Financial income	154	65
4	Financial expenses	-190	-133
		-34	-31
	Result before tax	**3,037**	**1,317**
6	Tax	-2,654	-290
5	**Result for the year**	**383**	**1,027**

Balance sheet

Notes	Assets DKKm	2020	2019
7	Intangible assets		
	Customer agreements	321	440
	Goodwill	536	645
	Software	1,000	905
	Development projects in progress	476	665
		2,333	2,655
8	Property, plant and equipment		
	Leasehold improvements	100	101
	Terminals	55	73
	Plant and machinery	628	758
		783	932
	Investments		
9	Investments in subsidiaries	8,048	1,869
10	Investments in associates	61	27
15	Deferred tax asset	52	59
11	Deposits	22	26
		8,183	1,981
	Total non-current assets	**11,299**	**5,568**
	Current assets		
	Inventories	47	67
		47	67
	Receivables		
	Settlement assets	3,321	5,226
	Fair value of restricted shares in Visa Inc. and contingent consideration held by Nets Branch Norway (former Teller Branch Norway)	70	118
	Trade receivables	595	740
	Group enterprises	1,448	1,595
	Other receivables	10	4
12	Prepayments	234	245
		5,678	7,928
	Cash at banks	432	330
	Total current assets	**6,157**	**8,325**
	Total assets	**17,456**	**13,893**
	Contingent assets	None	None

Balance sheet

Notes	Liabilities DKKm	2020	2019
13	Equity		
	Share capital	264	264
	Reserves	5,230	4,977
	Total equity	**5,494**	**5,241**
	Non-current liabilities		
14	Lease liabilities	436	507
15	Deferred tax	208	228
16	Pension obligations	27	34
17	Other provisions	88	57
	Total non-current liabilities	**759**	**826**
	Current liabilities		
14	Lease liabilities	75	122
	Trade payables	527	512
	Merchant creditors	2,675	3,636
	Settlement obligations	944	1,764
	Group enterprises	3,291	675
6	Tax	2,618	62
	Other payables	1,031	1,026
17	Other provisions	27	14
18	Contract liabilities	15	15
	Total current liabilities	**11,203**	**7,826**
	Total equity and liabilities	**17,456**	**13,893**
	Securities	None	None

19 Contingent liabilities
20 Related party transactions
21 Events after the balance sheet date

Statement of changes in equity

DKKm	Share capital	Reserve development projects	Net revaluation according to the equity method	Retained earnings	Dividends	Total
Equity at 1 January 2019	**264**	**815**	**-**	**2,936**	**1,300**	**5,315**
Foreign exchange adjustment	-	-	-	25	-	25
Received Group contribution	-	-	-	772	-	772
Submitted Group Contribution	-	-	-	-772	-	-772
Tax on group Contribution	-	-	-	173	-	173
Actuarial losses related to defined benefit pension plans	-	-	-	1	-	1
Distributed dividends	-	-	-	-	-1,300	-1,300
Transferred, cf. result appropriation	-	360	-	667	-	1,027
Equity at 1 January 2020	**264**	**1,175**	**-**	**3,802**	**-**	**5,241**
Foreign exchange adjustment	-	-	-	-141	-	-141
Received Group contribution	-	-	-	30	-	30
Submitted Group Contribution	-	-	-	-30	-	-30
Tax on group Contribution	-	-	-	13	-	13
Actuarial losses related to defined benefit pension plans	-	-	-	-2	-	-2
Transferred, cf. result appropriation	-	-48	2,469	-2,038	-	383
Equity at 31 December 2020	**264**	**1,127**	**2,469**	**1,634**	**-**	**5,494**

Notes to the Financial Statements

Amounts in DKKm

1. Accounting policies

The annual report has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The functional currency is Danish kroner (DKK).

The accounting policies used are consistent with last year.

As at 1 January 2020 Nets Denmark A/S, Ballerup was merged with Nets Spectracard AB, with Nets Denmark A/S, Ballerup being the continuing company. The merger was completed using the aggregating method, according to which assets and liabilities from the subsidiaries are included at book value. Consequently, the comparable numbers have been restated. The balance sheet does not reflect goodwill or badwill.

Pursuant to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared for Nets Denmark A/S and subsidiaries as the companies are included in the consolidated financial statements of Nets A/S, Klausdalsbrovej 601, 2750 Ballerup.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared as the Company is included in the consolidated financial statements of Nets A/S, Klausdalsbrovej 601, 2750 Ballerup.

Recognition and measurement

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 measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of the liabilities can be measured reliably.

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

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the Annual Report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, 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.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

On recognition in the financial statements of subsidiaries with another functional currency than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. The average exchange rate for the individual month is used as the exchange rate at the transaction date to the extent that this does not differ significantly. Exchange rate differences arisen when translating foreign subsidiaries' equity at the beginning of the year using the exchange rate at the balance sheet date and when translating income statements from average exchange rates at the transaction date to the exchange rate at the balance sheet date are recognised directly in equity.

On recognition of foreign branches which are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

Nets Denmark earns revenue on a transactional basis and on a non-transactional basis:

Transaction-based revenue – includes revenue generated through a combination of (a) a fee per transaction processed (which represents the primary revenue model in the Corporate Services and the Financial & Network Services segments) and (b) an ad valorem fee based on the value of transactions acquired (which represents the primary revenue model of the Merchant Services segment).

Non-transaction-based revenue – includes revenue generated through provision of subscription-based fees related to the sale and rental of point-of-sale (POS) and related solutions and fees related to the sale of value-added services and revenue from development projects across all three business segments.

Revenue from transaction service charges, transaction processing and similar services is recognised as revenue when services are performed.

Revenue from the sale of products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns and allowances.

Rental income arising from leases of terminals is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Revenue from services obligations to be provided over a period of time are initially deferred and then recognised on a straight-line basis over the period during which the services are provided.

Revenue is recognised as the gross amount excluding VAT, taxes and duties, interchange fees and processing fees and discounts in relation to the sale.

External Costs

External costs incurred in generating the revenue for the year comprise IT operation, operating leases of software, external production costs, loss and fraud, development costs, maintenance and development costs that do not qualify for capitalisation, postage, envelopes and other costs incurred in distributing goods as well as marketing and other sales costs and administration costs and lease agreements.

Staff costs

Staff costs comprise wages and salaries and remuneration, pension contributions, social security costs and other salary-related costs.

The all Employee Share programme (2019) are accounted for on an accrual basis over the vesting period. Employee Share programme has been measured at the fair value of the Nets Group at the launch date of the programme times the probability of vesting. Share options issued were measured at fair value at the date of granting times the probability of vesting. The total amount expensed over the vesting period is determined by reference to the value of the shares and options granted, excluding the impact of any non-market vesting conditions. The value was fixed at grant date. Non-marked vesting conditions is included in assumptions about the number of shares and options that is expected to vest. Any impact of adjustments to estimates is recognised in the income statement and in a corresponding adjustment to Equity over the remaining vesting period. Adjustments relating to prior years are included in the Income statement in the year of adjustment.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise the year's depreciation on property, plant and equipment, amortisation of intangible assets and impairment losses.

Result from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after elimination of intra-company results.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised exchange gains and losses on payables and transactions denominated in foreign currencies, etc.

Tax

Nets Denmark A/S and Danish subsidiaries are jointly taxed. The current Danish corporation tax allocated between the jointly taxed companies in proportion to their taxable income is recognised in the income statement. The tax saving as a result of losses is also refunded proportionately.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The change in deferred tax liabilities is also recognised in the income statement.

Tax assets are recognised if they can be set off against deferred tax in other consolidated enterprises or if it is probable that it can be utilised in future earnings.

Current and deferred tax is computed at the tax rates applicable.

The Group’s entities are taxed under the on-account tax scheme. Interest/refund relating to the tax payment is included in interest income and expense and similar items.

Balance sheet

Intangible assets

Customer agreements

Customer agreements acquired are measured at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which is up to 15 years.

Goodwill

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the company. Goodwill is measured at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life of 5-10 years.

Software

Capitalised software is amortised over their estimated useful lives of 3–7 years.

Development projects in progress

Development costs that are directly attributable to the design and testing of identifiable and unique projects including software products controlled by the company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use
- Management intends to complete the asset and there is an ability to use or sell it
- The asset will generate probable future economic benefits Expenditure attributable to the asset during its development can be reliably measured.

Costs associated with maintaining the assets are recognised as an expense as and when incurred.

Directly attributable costs that are capitalised as part of the assets include employee costs.

Development projects in progress are tested for impairment at least annually.

Property, plant and equipment

Property, plant and equipment are stated at their purchase price, including incremental expenses on acquisition less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on a straight-line basis over the expected useful economic life of the assets concerned.

The estimated useful life for this purpose is:

Leasehold improvements	up to 10 years
Terminals	3 years
Plant and machinery	2-5 years

The useful life of property, plant and equipment is determined based on periodic assessments of actual useful life and the intended use for those assets.

Impairment losses

The carrying amount of intangible assets as well as 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.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. The carrying amount of impaired assets is reduced to the lower of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the anticipated net income from the use of the asset or group of assets.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the Parent Company's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill.

Subsidiaries with a negative net asset value are measured at DKK 0, and any receivable is written down by the parent company’s share of the negative net asset value to the extent that it is considered irrecoverable. If the negative equity value exceeds the receivable, the balance is recognised under ’Provisions’ to the extent the parent company has a legal or constructive obligation to cover a deficit in the subsidiary.

Acquisitions of enterprises – other than intra-group mergers - are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost and necessary provisions are made for bad debt losses based on an assessment of the individual receivables.

Prepayments and accrued income

Prepayments comprise costs incurred, including operating leases concerning subsequent financial years.

Visa shares

Listed shares are initially measured at cost and subsequently at the fair value.

Cash at banks

Cash and cash equivalents comprise cash and bank deposits.

Equity

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date when they are adopted at the annual general meeting.

Borrowings

After initial recognition borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Pension obligations

Nets has entered into defined benefit plans and defined contribution plans with its employees.

In a defined benefit plan, Nets is obliged to pay a specific benefit to certain employees from the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plan's assets at fair value is recognised for these benefit plans.

The costs of providing benefits under the defined benefit plan are determined annually by independent actuaries using the projected unit credit method.

The defined pension plans' assets are estimated at fair value at the balance sheet date.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings in the period in which they occur.

Pension assets recognised are limited to the present value of future repayments from the pension plan or reduced future funding commitments. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

In case of changes in benefits relating to employees' previous service period, a change in the estimated present value of the pension obligations will occur, which will be recognised immediately if the employees have acquired a final right to the changed benefits. If not, the change is recognised over the period in which the employees become entitled to the changed benefit.

Net periodic pension income/(cost) from defined benefit plans consists of the items: service costs, interest expenses and interest income on assets. Service costs are recognised in wages, salaries and pension costs. Interest expenses and interest income on assets, net, are recognised in pension costs.

For the defined contribution plans, Nets will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made.

Costs regarding defined contribution plans are recognised as incurred within staff costs.

Other provisions

Other provisions are measured at net realisable value. Other provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Liabilities

Financial liabilities are measured at amortised cost. Other liabilities are measured at net realisable value.

Accruals and deferred income

Accruals and deferred income comprise payments received concerning income in subsequent years.

Leases

Leases are recognised and measured based on IFRS 16 Leases to align with the accounting policies for the Group. In general, IFRS 16 requires that all leases are recognised in the balance sheet. Rights-of-use assets and lease liabilities have therefore been recognised in the balance sheet for leases previously disclosed as operational leases. In accordance with IFRS 16, short-term leases are however not recognised in the balance sheet. These lease payments are expensed on a straight-line basis over the lease term.

Segment information

Information is provided on revenue by business segments. Segment information is based on internal financial management.

Financial ratios

Financial ratios stated in the survey of financial highlights are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Operating margin	$\dfrac{\text{Operating result x 100}}{\text{Revenue}}$
Liquidity ratio	$\dfrac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\dfrac{\text{Result from ordinary activities after tax x 100}}{\text{Average equity}}$

2. Revenue

	2020	2019
Total revenue is specified as follows:		
Merchant Services	2,260	2,533
Issuer & eSecurity Services	2,223	2,617
Corporate Services	-	2,026
	4,483	7,176
Of this amount, revenue outside Denmark	2,267	3,359

3. Staff costs

	2020	2019
Total staff costs are specified as follows:		
Wages and salaries and remuneration	1,462	1,689
Pension contributions	149	183
Other salary-related costs	246	362
Total employee costs for the year	1,857	2,234
Employee costs included in development projects	-211	-202
Total employee costs expensed in the income statement	1,646	2,032

	2020	2019
Remuneration to the Executive Board:		
Salaries and remuneration	4	16
Pension contributions	-	-
Other salary-related costs	-	-
Total costs for the year	4	16

No remuneration was paid to the Board of Directors.

	2020	2019
Average number of full-time employees:	1,846	2,252
Number of full-time employees year-end:	1,797	2,264

Employee share programme
In August 2019 an all Employee share program was announced with the purpose of giving all employees of the Nets Group, the ultimate parent of Nets Denmark A/S, the opportunity to become co-owners of the Nets Group. Under the program employees could invest in the Nets Group and have their investment matched with two free shares if participating employees are employed when the Nets Group is either sold or if its shares are offered in an Initial Public Offering. The matching shares were granted at 13 December 2019 and are expected to vest 36 months from grant date.
In connection with the Nexi transaction, a change of control clause will be triggered and the remaining value of the programme will be recognized in the period until expected closing.

4. Financial income and financial expenses

	2020	2019
Financial income:		
Group enterprises	69	54
Other interest income	6	11
Foreign exchange gain, net	79	-
	154	65
Financial expenses:		
Group enterprises	96	39
Other interest expenses	66	38
Other financial items	28	47
Foreign exchange loss, net	-	9
	190	133

5. Proposed profit appropriation

	2020	2019
Proposed dividends	-	-
Reserve development projects	-48	360
Net revaluation according to the equity method	2,469	-
Retained earnings	-2,038	667
Total appropriation	383	1,027

6. Tax

	2020	2019
Current tax on result for the year	2,629	76
Change in deferred tax	-13	15
Tax related to prior year	26	3
Tax in foreign branches	12	196
	2,654	290

Nets Denmark A/S expects that DKK 6 million (2019 DKK 159 million) of the tax in foreign branches will be offset against deductible group contributions to other group entities.

In connection with the demerger of Account-to-Account activities a payable tax liability of DKK 2,660 million was recognized.

7. Intangible assets

	Customer agreements	Goodwill	Software	Develop-ment projects in progress	Total
Cost as at 1 January	988	1,693	2,354	665	5,700
Additions	2	-	-	513	515
Transfer between asset groups	-	-	559	-559	-
Disposals through demerger	-	-	-92	-136	-228
Disposals	-	-	-234	-	-234
Exchange rate adjustment	-1	-34	-23	-7	-65
Cost as at 31 December	**989**	**1,659**	**2,564**	**476**	**5,688**
Amortisation and impairment losses as at 1 January	548	1,048	1,449	-	3,045
Amortisation for the year	120	110	397	-	627
Disposals through demerger	-	-	-32	-	-32
Disposals	-	-	-234	-	-234
Exchange rate adjustment	-	-35	-16	-	-51
Amortisation and impairment losses as at 31 December	**668**	**1,123**	**1,564**	**-**	**3,355**
Carrying amount as at 31 December	**321**	**536**	**1,000**	**476**	**2,333**

8. Property, plant and equipment

	Leasehold improve-ments	Terminals	Plant and machinery	Total
Cost as at 1 January	196	371	1,420	1,987
Additions	20	33	65	118
Disposals	-	-72	-108	-180
Exchange rate adjustment	-9	-11	-53	-73
Cost as at 31 December	**207**	**321**	**1,324**	**1,852**
Depreciation and impairment losses as at 1 January	95	298	662	1,055
Depreciation for the year	16	43	164	223
Disposals	-	-66	-99	-165
Exchange rate adjustment	-4	-9	-31	-44
Depreciation and impairment losses as at 31 December	**107**	**266**	**696**	**1,069**
Carrying amount as at 31 December	**100**	**55**	**628**	**783**

Hereof amounts leased assets to DKK 529 million.

9. Investments in subsidiaries

	2020	2019
Cost as at 1 January	2,458	1,433
Additions	3,120	1,282
Disposals	-	-257
Cost as at 31 December	5,578	2,458
Value adjustment as at 1 January	-589	-348
Dividends	-80	-288
Group contribution	-30	-99
Profit after tax	3,408	251
Amortisation of goodwill etc.	-217	-104
Exchange rate adjustment	-23	-1
Value adjustment as at 31 December	2,469	-589
Carrying amount as at 31 December	8,048	1,869
Fair value recognition from business combinations (goodwill etc.)	3,778	1,134

Share capital, net profit and equity in subsidiaries specified below are based on annual reports for 2019 and stated in local currency in million.

	Ownership	Share capital
Nets DanID A/S, Klausdalsbrovej 601, DK-2750 Ballerup	100%	50.0
Nets Cards Processing A/S, Klausdalsbrovej 601, DK-2750 Ballerup	100%	21.5
Signaturgruppen A/S, Inge Lehrmanns Gade 10, DK-Aarhus C	100%	0.5
Storebox ApS, Fruebjergvej 3, DK-2100 Copenhagen Ø	100%	0.1
Centurion DK A/S	100%	2.0
Nets Norge Infrastruktur AS, Haavard Martinsens vei 54, NO-0980 Oslo, Norway	100%	0.1
Centurion NO A/S	100%	26.4
Centurion NNI A/S	100%	0.1
EDIGard AS, Dueknipen 1, NO-4616 Kristiansand S, Norway	100%	3.7
ITP Baltic ITP Baltic SIA, Inzenieru iela 101, Ventspils LV-3601, Latvia	100%	0,003
Paytrail Oyj, Lutakonaukio 7, 40100 Jyväskylä, Finland	100%	0.1
Paytrail Technology Oy, Lutakonaukio 7, 40100 Jyväskylä, Finland	100%	0.003
Poplatek Oy	100%	0.003
Poplatek Payments Oy	100%	0.003
Nets Sweden AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	20.0
Nets Estonia AS, Tartu maantee 63, 10115 Tallinn, Estonia	100%	0.5
P24 Dotcard Sp. z o o., ul. Tadeusza Czackiego 7/9/11, PL-00-043 Warszawa, Polska	51%	0.1
PayPro S.A., ul. Kanclerska 15, PL-60-327 Poznań, Polska	51%	4.5
eCard S.A., ul. Tadeusza Czackiego 7/9/11, PL-00-043 Warszawa, Polska	51%	30.3
Dotpay Sp. Z o o., ul. Wielicka 28B, PL-30-552 Kraków, Polska	51%	4.0
Dotpay Polska Sp. Z o o., ul. Sobieskiego 11/E6, PL-40-082 Katowice, Polska	51%	0.1
	100%	0.1
Rementi Investments SA, Towarowa 28, 00-839 Warszawa, Poland	100%	42.3
PeP (Centrum Rozliczen Elektronicznych Polskie ePlatnosci), ul. Lisa Kuli 3, 35-032 Rzeszów, Poland	100%	4.5

Billbird S.A. ul. Kamienna 21, 31-403 Kraków, Poland	100%	1.5
PayLane Sp. z o.o. ul. C. K. Norwida 4, 80–280 Gdańsk, Poland	100%	0.0
TopCard Sp. z o. o. Starołęcka 7, 61-361 Poznań, Poland	100%	0.0
Nassa Bidco AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	0.05
Nets Spectracard AB, Lumaparksvägen 9-11, S 120 31 Stockholm, Sweden	100%	0.2

Results 2019	Net profit	Equity
Nets Denmark A/S	1,107	5,295
Nets DanID A/S	42.0	99.0
Nets Cards Processing A/S	6.7	31.7
Signaturgruppen A/S	24.1	98.5
Storebox ApS	1.3	16.3
Centurion DK A/S	2,985.9*	3,323.8*
Nets Norge Infrastruktur AS	100.1	13.6
Centurion NO A/S	307.1*	349.4*
Centurion NNI A/S	16.1*	3.8*
EDIGard AS	30.2	21.4
ITP Baltic SIA	0.0	0.1
Paytrail Oyj	3.4	5.5
Paytrail Technology Oy	0.0	0.004
Poplatek Oy	0.3	1.1
Poplatek Paymenys Oy	-0.3	-0.7
Nets Sweden AB	19.3	67.4
Nets Estonia AS	3.4	39.0
P24 Dotcard SP. Z o o.	-1.2**	173.4**
PayPro S.A.	46.0	40.5
eCard S.A.	1.2	25.1
Dotpay SP. Z o o	11.3	45.4
Dotpay Polska Sp. Z o o	0.0	0.0
Rementi Investments SA	0.0	0.1
PeP	-7.9	70.1
Billbird	3.5	28.2
Paylane	-2.4	5.2
Topcard	0.0	0.0
Nassa Bidco AB	0.0	7.0
Nets Spectracard AB	3.5	26.4

**Based on 2020 annual report*
***Based on 2018 annual report*

10. Investments in associates

	2020	2019
Cost as at 1 January	60	60
Additions	-	-
Cost as at 31 December	60	60
Value adjustment as at 1 January	-33	-33
Adjustment as at 1 January	13	-8
Dividend	-	-
Share of profit after tax and depreciation and amortisation	21	8
Value adjustment as at 31 December	1	-33
Carrying amount as at 31 December	61	27

	Ownership	Share capital
e-Boks A/S, Ballerup	50%	12

11. Deposits

	2020	2019
Cost as at 1 January	26	15
Additions	-	11
Disposals	-4	-
Cost as at 31 December	22	26

12. Prepayments

	2020	2019
Prepaid IT costs	134	127
Other	100	118
	234	245

13. Share capital

The share capital is owned by Nets Holding A/S, Klausdalsbrovej 601, 2750 Ballerup.

The share capital was increased by DKK 114.5 million on 17 June 2015 related to the merger with Nets Norway AS. Further, the share capital was increased by DKK 3 during 2019 in relation to the merger with DIBS Payment Services AB, Dibs Payment Services A/S, Dibs AS, Dibs Payment Services I Göteborg AB, Debitech AB and Verifyeasy AB in 2019. There have not been other changes in the last 5 years.

The share capital comprises shares of DKK 1.00 each.

Nets Denmark A/S is part of the consolidated Financial Statements for Nets A/S, Klausdalsbrovej 601, 2750 Ballerup.

14. Lease liabilities

	2020	2019
Maturity of lease liabilities:		
Less than 1 year	75	122
1-5 years	242	258
More than 5 years	194	249
	511	629

15. Net deferred tax asset / (-liabilities)

	2020	2019
Classified as follows:		
Deferred tax asset	52	59
Deferred tax liability	208	228
	-156	-169

16. Pension obligations

Nets Danmark has defined benefit pension plans mainly in Norway. The defined benefit plans have been closed. Employees covered by the plans will continue to be entitled to the pension payments earned however, employees will not earn further pension payments and no new members are entering into the agreements.

The pension obligation costs for the defined benefit plans are estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability, etc.). The assumed discount rate may fluctuate significantly. Nets Denmark believes the actuarial assumptions illustrate current market conditions and expectations for market returns in the long term. Even modest changes to the actuarial assumptions may result in significant changes to the pension liability.

The actuarial assumptions used for the valuation of the pension obligation are based on regularly used assumptions within insurance for demographic factors. Nets Denmark has used the assumptions according to the guidance from the Norwegian Accounting Standards Board (NASB), as these reflect Nets' expectations regarding annual wage and price inflation.

17. Other provisions

	2020	2019
Deferred consideration OP	59	71
Deferred consideration Poplatek	56	-
Carrying amount at 31 December	115	71

18. Contract liabilities

This includes prepayments received from customers in Merchant Services mainly related to POS services and Dankort.

19. Contingent liabilities

The Company is jointly taxed with other Danish companies in the Nets Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liabilities for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

The Company has deposited an amount of DKK 13 million (2019: DKK 21 million) related to withholding taxes on payroll in Norway to a restricted bank account.

The Company has entered into a number of long-term agreements on purchase of services.

The Company is party to a number of pending lawsuits and disputes. In Management's opinion, apart from the receivables and payables recognised in the balance sheet at 31 December 2020, the outcome of these lawsuits will not further affect the Company's financial position.

Nets Denmark A/S is guarantor under the senior facility agreement by Nassa Topco AS and have certain of assets, including selected bank accounts, pledged to the lenders. All such arrangements strictly observe applicable laws and regulations. This has no effect on daily business and excludes all settlement assets.

20. Related party transactions

All transactions with related parties are made on an arm's length basis.

21. Events after the balance sheet date

In January 2021, Nets announced the acquisitions of Checkout Finland Oy, a rapidly growing company, within eCommerce.

In March 2021, the sale of Nets' account-to-account payment business to Mastercard for EUR 2.85 billion was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions.