Nets Denmark A/S

Annual Report 2019

Adopted at the Annual General
Meeting on 27 March 2020

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)	2019	2018*	2017**	2016**	2015**
Income statement					
Revenue	7,172	7,263	7,289	7,381	6,899
Result before depreciation, amortisation and impairment losses	1,901	2,082	2,356	2,384	1,944
Operating result	1,201	1,360	1,745	1,898	1,307
Result from financial income and expenses, net	-30	-51	26	821	1,524
Net result for the year	1,028	1,107	1,529	1,878	2,366
Balance sheet as at 31 December					
Total assets	13,882	15,453	15,920	14,632	12,358
Investment tangible assets	377	119	401	2,473	52
Investment intangible assets	667	463	313	392	1,680
Equity	5,222	5,295	5,818	4,882	4,576
Financial ratios (%)					
Operating margin	17	19	24	26	19
Liquidity ratio	106	117	126	114	122
Solvency ratio	38	34	37	33	37
Return on equity	20	20	29	40	59

*) 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 as at January 1, 2019. The restating is completed by using the aggregation method of the companies (proforma).

**) Key figures for the years 2017 - 2015 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	In 2019 Nets Denmark A/S saw a strong execution of our European ambitions through acquisitive growth. Our strategic alliance with PayPro and the acquisition of Dotpay/eCard led to the creation of one of the largest online service providers in Poland and the merger between our Parent company and the Concardis Payment Group, additionally gave the Nets a leading position in Germany within merchant acquiring and payment terminal rental. The expansion into Poland and continues investments in new payment solutions and a more efficient setup, affirm our determination to deliver on our strategy to build a European payment leader and unlock new and better opportunities for retailer and financial institutions in Europe.

In August 2019, it was announced that Nets Denmark A/S will sell its account-to-account business to Mastercard for DKK 21.3 billion. The transaction with Mastercard is subject to regulatory approvals and customary closing conditions currently expected to be met in first half of 2020, at which date the financial gain from the transaction will be recognised.

Nets Denmark A/S has merged with affiliated companies Dibs Payment Services AB, Dibs Payment Services A/S, Dibs AS, Dibs Payment Services I Göteborg AB, Debitech AB and Verifyeasy AB effective 1 January 2019. 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 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 DKK 1,201 million, which is a decrease of DKK 159 million (12%) compared to 2018. The decrease is driven by sligthly lower Revenue in combination with higher External costs primarily related to reorganising, restructuring and transformation as Nets has continued to invest in secure and stable operations, flexible and scalable IT services and innovative solutions.
Revenue and operating result was below expectations.

Net result for the year was DKK 1,028 million, which is a decrease of DKK 79 million compared to 2018.

Equity amounted to DKK 5,222 million, which is equivalent to a solvency ratio of 38% compared to 34% at the end of 2018. Proposed dividends amounted to DKK 0 million, compared to DKK 1,300 million in 2018.

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 606 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 Services

Corporate Services offers integrated e-bill services to corporates, enabling them to invoice their consumers electronically and automatically receive payments at due time, with the benefit of low churn. Consumers are provided with an overview of the invoices paid directly from their online bank. More than 90% of Danish households use the direct debit service to pay utility bills and other bills.

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 2019.

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 2019 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 2019 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

Technology innovation
Global technology trends such as artificial intelligence, biometrics, blockchain, Internet of Things (IoT), virtual reality and robotics accelerate the development and implementation of new products, services and business models. These digital innovations and business models create new opportunities but could also potentially challenge the Group's existing business.

Industry & market transformation
New technologies (as described above) and regulations as well as new market entrants and/or alliances (as described below) drive an ever-increasing rate of competition and market transformation. Increased requirements from our customers in terms of functionalities, usability and innovation, requires us to remain pro-active, without compromising on our high standards on security and quality.

E-commerce, mobile commerce and digital products (e.g. app stores, streaming, in-app) are expected to drive much of the new growth as consumers, merchants and corporates expect transparent, digitised and readily available services. Increased competition could also result in an increased price pressure on services delivered by Nets.

Regulatory environment

The Group is subject to a wide array of laws and regulations in the jurisdictions in which it operates. Further, regulatory bodies across Europe, including the Nordic region, are placing the financial industry, payment institutions and providers of digital products and services under increased regulatory scrutiny. Privacy and financial crime prevention require significant resources while local regulators adapt and define clear requirements for market participants. GDPR and PSD2 are examples of areas in which Nets must ensure the requirements are being adhered to.

Information security

Each day, Nets processes and stores large amounts of data related to the processing of financial transactions between millions of accounts in multiple countries. Due to the high value of such information assets and the systemic importance of our systems to the national financial infrastructures, Nets faces a constant threat from a number of different agents such as hacktivists, organised crime and nation states. Relevant security threats include social engineering such as phishing and spear-phishing, hacking, system malware and ransomware rendering data unreadable.

Stability and operations

Today, Nets operates several services critical to the national financial infrastructures in the Nordic countries, such as domestic debit card schemes, clearing systems, e-identity schemes and payment platforms. As these systems are critical for our customers, government organisations and authorities, stability has a high priority at Nets. Potential risk causes include insufficient application deployment and testing, change implementation issues and errors and Distributed Denial of Service (DDoS) attacks.

Merchant acquiring

Fraud risk

Nets has a potential financial liability and could also suffer reputational damage for fraudulent digital payment transactions (fraudulent sales of goods and services, or customers who get defrauded). Failure to effectively manage this risk could increase Nets' chargeback liability and lead to fees from international card schemes. A chargeback normally occurs when a dispute between the merchant and the cardholder is not resolved in favour of the merchant, so the transaction is "charged back" to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If Nets is unable to collect such amounts from the merchant's account, or if the merchant refuses or is unable to e.g. due to bankruptcy, then Nets will bear the losses. The risk of fraud-related chargebacks is greater in certain industries and especially within e-commerce.

Merchant credit risk exposure

Nets operates under licenses issued by the major international card schemes. A requirement to get these licenses is to take on the full financial responsibility (risk) for goods or services that are prepaid to the merchant by the cardholder (i.e. the merchant first charges the cardholder and only later delivers the product/service). If the merchant is not able or willing to deliver the prepaid goods or services, the amount paid will be charged-back from Nets by the card issuer. Nets will then rightly claim a refund from the merchant, but if the merchant is insolvent/bankrupt, the loss will be on Nets.

For further information please find the risk management description in the Management's review in Nets A/S.

Outlook for 2020

Nets Denmark A/S is carefully monitoring COVID-19 and any impact on the expected financial performance for 2020 including revenue and earnings, however it is too early to reliably estimate the financial impact for 2020. 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.

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 27 March 2020

Executive Board

Torsten Hagen Jørgensen
CEO

Robert Nikolaus 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 2019, and of the results of the Company’s operations for the financial year 1 January - 31 December 2019 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 2019, 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, 27 March 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Friis Jørgensen	Michael Groth Hansen
State Authorised Public Accountant	State Authorised Public Accountant
mne28705	mne33228

Income statement

Notes	DKKm	2019	2018
2	Revenue	7,172	7,263
	External costs	-3,239	-3,154
3	Staff costs	-2,032	-2,027
	Operating result before depreciation, amortisation and impairment losses	**1,901**	**2,082**
7 & 8	Depreciation, amortisation and impairment losses	-700	-722
	Operating result	**1,201**	**1,360**
9	Result from subsidiaries after tax	131	142
9	Gain from sale of shares	16	-
10	Result from associates after tax	-	14
	Result before financial income and expenses	**1,348**	**1,516**
	Fair value adjustment on Visa shares	37	30
4	Financial income	65	223
4	Financial expenses	-132	-304
		-30	-51
	Result before tax	**1,318**	**1,465**
6	Tax	-290	-358
5	**Result for the year**	**1,028**	**1,107**

Balance sheet

Notes	Assets DKKm	2019	2018
7	Intangible assets		
	Customer agreements	440	522
	Goodwill	645	753
	Software	905	754
	Development projects in progress	665	419
		2,655	2,448
8	Property, plant and equipment		
	Leasehold improvements	101	65
	Terminals	73	90
	Plant and machinery	758	205
		932	360
	Investments		
9	Investments in subsidiaries	1,869	1,085
10	Investments in associates	27	27
15	Deferred tax asset	58	55
11	Deposits	26	15
		1,980	1,182
	Total non-current assets	**5,567**	**3,990**
	Current assets		
	Inventories	67	49
		67	49
	Receivables		
	Settlement assets	5,226	6,861
	Fair value of restricted shares in Visa Inc. and contingent consideration held by Nets Branch Norway (former Teller Branch Norway)	118	83
	Other financial assets	-	175
	Trade receivables	739	686
	Group enterprises	1,586	3,317
	Other receivables	4	18
12	Prepayments	245	227
		7,918	11,367
	Cash at banks	330	47
	Total current assets	**8,315**	**11,463**
	Total assets	**13,882**	**15,453**
	Contingent assets	None	None

Balance sheet

Notes	Liabilities DKKm	2019	2018
13	Equity and liabilities		
	Share capital	265	265
	Reserve development projects	1,381	815
	Retained earnings	3,576	2,915
	Proposed dividends	-	1,300
	Total equity	**5,222**	**5,295**
	Non-current liabilities		
14	Lease liabilities	507	37
15	Deferred tax	228	203
16	Pension obligations	34	39
17	Other provisions	57	47
	Total non-current liabilities	**826**	**326**
	Current liabilities		
	Borrowings	-	390
	Lease liabilities	122	31
	Trade payables	511	519
	Merchant creditors	3,636	4,941
	Settlement obligations	1,764	1,401
	Group enterprises	680	1,314
	Tax	64	91
	Other payables	1,028	856
17	Other provisions	14	275
18	Contract liabilities	15	14
	Total current liabilities	**7,834**	**9,832**
	Total equity and liabilities	**13,882**	**15,453**
	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	Retained earnings	Dividends	Total
Equity at 1 January 2018	**265**	**533**	**2,794**	**2,338**	**5,929**
Foreign exchange adjustment	-	-	-59	-	-59
Capital contribution	-	-	217	-	217
Received Group contribution	-	-	1,641	-	1,641
Submitted Group Contribution	-	-	-1,641	-	-1,641
Tax on group Contribution	-	-	421	-	421
Actuarial losses related to defined benefit pension plans	-	-	-4	-	-4
Share-based payments	-	-	21	-	21
Distributed dividends	-	-	-	-2,338	-2,338
Transferred, cf. result appropriation	-	282	-475	1,300	1,107
Equity at 1 January 2019	**265**	**815**	**2,915**	**1,300**	**5,295**
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	-	566	462	-	1,028
Equity at 31 December 2019	**265**	**1,381**	**3,576**	**-**	**5,222**

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).

On 6 August 2019 the owners of Nets Denmark A/S signed an agreement with MasterCard to sell the nordic account-to-account business of the Nets Group. The sale is subject to various closing conditions including approval from the Danish FSA, and is expected to close in the first half of 2020.

The nordic account-to-account business is highly integrated across various legal entities as it relates to operational setup, technology development and operations, support functions, HR and legal departments etc. As the Nets Group does not operate a full costing model on a legal entity basis, it has not been possible to clearly distinguish and separate the activities to be sold on a full income statement level for Nets Denmark A/S. As a consequence, the account-to-account business expected to be sold has not been presented as discontinued operations in the financial statements of Nets Denmark A/S.

Except for the change mentioned below regarding recognition of revenue and of all leases in the balance sheet, the accounting policies used are consistent with last year.

As at 1 January 2019 Nets Denmark A/S, Ballerup was merged with DIBS Payment Services AB, Dibs Payment Services A/S, Dibs AS, Dibs Payment Services I Göteborg AB, Debitech AB and Verifyeasy AB. As at 1 January 2018 Nets Denmark and affiliated company Nets Oy and Nets Finland Oy merged. In both mergers Nets Denmark A/S, Ballerup is the continuing company. The mergers 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 has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2019. The implementation has not had any impact on the income statement.

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) and the share option programme (2018) 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-group 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.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of 5-15 years for customer agreements and 5-10 years for goodwill.

Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

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 measured at the fair value at the balance sheet date.

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

In the Annual Report 2019 Nets Denmark A/S applies, for the first time, the accounting standard IFRS 16 "Leases". In general, IFRS 16 "Leases" 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.

IFRS 16 has been implemented using the modified retrospective method meaning that the accumulated effect of initially applying the standard is recognised at 1 January 2019 without restating the comparative figures

Impact on the balance sheet

When implementing IFRS 16 lease liabilities were measured at the present value of the remaining lease payments according to contracts, discounted using the Group's average incremental borrowing rate. The associated right-of-use assets were measured at the amount equal to the lease liability. As at 1 January 2019, the implementation resulted in an increase in lease assets and lease liabilities of DKK 462 million.

Impact on income statement and equity

Right-of-use assets recognised according to IFRS 16 are depreciated over the shorter of the lease term or the useful life of the asset. Operating lease expenses are recognised as external costs included in operating result before depreciation, amortisation and impairment losses. The impact on 2019 from implementing IFRS 16 has been an increase in operating result before depreciation, amortisation and impairment losses of DKK 103 million and an increase in financial expenses of DKK 8 million due to the interest expenses related to lease liabilities. IFRS 16 impacts classification of expenses in the income statement.

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".

$$\text{Operating margin} = \frac{\text{Operating result x 100}}{\text{Revenue}}$$

$$\text{Liquidity ratio} = \frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

$$\text{Solvency ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$$

$$\text{Return on equity} = \frac{\text{Result from ordinary activities after tax x 100}}{\text{Average equity}}$$

2. Revenue

	2019	2018
Total revenue is specified as follows:		
Merchant Services	2,529	2,414
Issuer & eSecurity Services	2,617	2,788
Corporate Services	2,026	2,061
	7,172	7,263
Of this amount, revenue outside Denmark	3,359	3,613

Related to the announced sale of the account-to-account business to Mastercard, business activities have been reorganised. The comparative figures from 2018 have been restated to reflect the new business structure.

3. Staff costs

	2019	2018
Total staff costs are specified as follows:		
Wages and salaries and remuneration	1,689	1,669
Pension contributions	183	151
Other salary-related costs	362	356
Total employee costs for the year	2,234	2,176
Employee costs included in development projects	-202	-149
Total employee costs expensed in the income statement	2,032	2,027

	2019	2018
Remuneration to the Executive Board:		
Salaries and remuneration	16	13
Pension contributions	0	1
Other salary-related costs	0	0
Total costs for the year	16	14

No remuneration was paid to the Board of Directors.

Average number of full-time employees:	2,252	2,319
Number of full-time employees year-end:	2,264	2,303

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.

Share based payment
In February 2018 Nets A/S, the ultimate parent of Nets Denmark A/S, was purchased by a private equity fund. As a consequence of the take-private transaction, a change of control clause was triggered for both the share option programme and the retention programme. For the share option programme, the vesting conditions under the change of control clause are considered fulfilled at maximum and 120% of the share options vested in February 2018. For the retention programme, the change of control clause triggered full pay-out of the programme in February 2018.

Share option programme
A long-term share option programme was established in 2016 in connection with the IPO of the ultimate parent company Nets A/S and granted to Management and certain key employees. In connection with the Annual General Meeting, and as determined by the Board of Directors, share options are granted annually for an amount equivalent to 20-100% of annual salary (however target of 0.75% of the share capital). Vesting was subject to fulfilment of certain key financial targets and continued employment at the vesting date. Each option gave right to purchase one existing share in Nets A/S.

Retention programme
In connection with the IPO, a non-recurring share-based retention program was established for members of the Executive Committee and certain other employees (the "Retention Program"). Under the Retention Program, the participants were granted shares at the end of a 720-day period subsequent to the date where the Company was listed. The shares equal an amount of 24 months' base salary, provided, among other things, that the participants have retained at least 25% of the total number of shares that were directly or indirectly held by the participant under the former management Incentive Programme.

4. Financial income and financial expenses

	2019	2018
Financial income:		
Group enterprises	54	199
Other interest income	11	24
	65	223

Financial expenses:		
Group enterprises	39	140
Other interest expenses	37	46
Other financial items	47	81
Foreign exchange loss, net	9	37
	132	304

5. Proposed profit appropriation

	2019	2018
Proposed dividends	-	1,300
Reserve development projects	566	282
Retained earnings	462	-475
Total appropriation	1,028	1,107

6. Tax

	2019	2018
Joint taxation contribution	76	92
Change in deferred tax liability	15	9
Change in deferred tax asset	3	4
Tax in foreign branches	196	253
	290	358

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

7. Intangible assets

	Customer agreements	Goodwill	Software	Development projects in progress	Total
Cost as at 1 January	980	1,686	2,101	419	5,186
Adjustment to opening	-	-	-2	-	-2
Additions	8	-	160	499	667
Transfer between asset groups	-	-	255	-255	-
Disposals	-	-	-163	-	-163
Exchange rate adjustment	-	7	3	2	12
Cost as at 31 December	**988**	**1,693**	**2,354**	**665**	**5,700**
Amortisation and impairment losses as at 1 January	458	933	1,347	-	2.738
Adjustment to opening	-	-	2	-	2
Amortisation for the year	90	108	250	-	448
Disposals	-	-	-153		-153
Exchange rate adjustment	-	7	3	-	10
Amortisation and impairment losses as at 31 December	**548**	**1,048**	**1,449**	**-**	**3,045**
Carrying amount as at 31 December	**440**	**645**	**905**	**665**	**2,655**

8. Property, plant and equipment

	Leasehold improve-ments	Terminals	Plant and machinery*	Total
Cost as at 1 January	182	354	887	1,423
Adjustment to opening balance regarding leases	-	-	462	462
Additions	48	43	286	377
Disposals	-36	-29	-221	-286
Exchange rate adjustment	2	3	6	11
Cost as at 31 December	**196**	**371**	**1,420**	**1,987**
Depreciation and impairment losses as at 1 January	117	264	682	1,063
Depreciation for the year	14	52	191	257
Disposals	-36	-20	-217	-273
Exchange rate adjustment	-	2	6	8
Depreciation and impairment losses as at 31 December	**95**	**298**	**662**	**1,055**
Carrying amount as at 31 December	**101**	**73**	**758**	**932**

Hereof amounts leased assets to DKK 603 million.

9. Investments in subsidiaries

	2019	2018
Cost as at 1 January	1,433	1,433
Additions	1,282	-
Disposals	-257	-
Cost as at 31 December	2,458	1,433
Value adjustment as at 1 January	-348	-369
Dividends	-288	-
Group contribution	-99	-116
Profit after tax	251	187
Amortisation of goodwill etc.	-104	-45
Exchange rate adjustment	-1	-5
Value adjustment as at 31 December	-589	-348
Carrying amount as at 31 December	1,869	1,085
Fair value recognition from business combinations (goodwill etc.)	1,134	260

Share capital, net profit and equity in subsidiaries specified below are based on annual reports for 2018 and stated in local currency in million.

	Ownership	Share capital
Nets DanID A/S, Klausdalsbrovej 601, DK-2750 Ballerup	100%	50.2
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
Nets Norge Infrastruktur AS, Haavard Martinsens vei 54, NO-0980 Oslo, Norway	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
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

Results 2018	Net profit	Equity
Nets DanID A/S	28.1	137.4
Nets Cards Processing A/S	9.0	75.2
Signaturgruppen A/S	22.0	74.4
Storebox ApS	12.5	17.5
Nets Norge Infrastruktur AS	38.5	13.4
EDIGard AS	27.0	46.5
ITP Baltic SIA	0.0	0.1
Paytrail Oyj	2.7	9.1
Paytrail Technology Oy	0.0	0
Nets Sweden AB	36.9	197.0
Nets Estonia AS	3.2	35.6
P24 Dotcard SP. Z o o.	-1.2	173.4
PayPro S.A.	32.1	40.5
eCard S.A.	6.2	23.9
Dotpay SP. Z o o	16.3	38.1
Dotpay Polska Sp. Z o o	0.0	0.0

10. Investments in associates

	2019	2018
Cost as at 1 January	60	60
Additions	-	-
Cost as at 31 December	60	60
Value adjustment as at 1 January	-33	-41
Adjustment as at 1 January	-8	-1
Dividend	-	-6
Share of profit after tax and depreciation and amortisation	8	15
Value adjustment as at 31 December	-33	-33
Carrying amount as at 31 December	27	27

	Ownership	Share capital
e-Boks A/S, Ballerup	50%	12
e-Boks AS, Norway NOK	50%	1
e-Boks AB, Sweden SEK	50%	0

11. Deposits

	2019	2018
Cost as at 1 January	15	14
Additions	11	1
Cost as at 31 December	26	15

12. Prepayments

	2019	2018
Prepaid IT costs	127	109
Other	118	118
	245	227

13. Share capital

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

The share capital has been increased by DKK 114.5 million on 17 June 2015 according to the merger on 1 January 2015 with Norwegian Nets Norway AS. Further, the share capital was increased by DKK 3 during 2019 related 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. 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

	2019	2018
Maturity of lease liabilities:		
Less than 1 year	122	31
1-5 years	258	37
More than 5 years	249	-
	629	68

15. Net deferred tax asset/(-liabilities)

	2019	2018
Classified as follows:		
Deferred tax asset	58	55
Deferred tax liability	228	203
	-170	-148

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

	2019	2018
Deferred consideration OP	71	59
Deferred consideration Storebox ApS	-	86
Deferred consideration Signaturgruppen A/S	-	177
Carrying amount at 31 December	71	322

18. Contract liabilities

This includes accrual of annual fee from merchants regarding the 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.

At 31 December 2018 the Company had entered into leases remaining in force until the end of 2030. The total liabilities amounted to DKK 731 million with an average annual payment of DKK 93 million. At 31 December 2019 all lease liabilities were recognised in the balance sheet.

The Company has deposited an amount of DKK 21 million (2018: 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 2019, 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 2020, Nets announced the acquisitions of Finnish software developer Poplatek and terminal service provider Poplatek Payments.

Also in January 2020, Nets announced a reduction of the workforce to reduce overlapping roles and functions following years of intense Merger and Acquisition activity.

In March 2020, Nets announced the acquisition of the company Polskie ePlatnosci a leading Polish payment provider. The acquisition is subject to customary approvals by the Polish authorities.

The consequences of COVID-19, where Governments around the world have decided to enforce drastic measures, including "closing down" the countries, will have a significant impact on the global economy. Management in Nets Danmark is carefully monitoring any potential impact on the financial performance for 2020 and actions needed. The consequences of COVID-19 are considered a non-adjusting subsequent event regarding the financial statements as per 31 December 2019.