

## **ANNUAL REPORT 2020**

### **VP SECURITIES A/S**

WEIDEKAMPSGADE 14  
DK-2300 COPENHAGEN S  
CVR NO. 21599336

The Annual General Meeting  
adopted the annual report on  
22 March 2021

Henrik Juul Hansen  
Chairperson of the meeting

## Entity

VP Securities A/S  
Weidekampsgade 14  
DK-2300 Copenhagen S

CVR: 21599336

Year of foundation: 1980  
Registered office: Copenhagen  
Financial year: 01.01.2020 - 31.12.2020  
Phone number: +45 4358 8888  
Website: [www.vp.dk](http://www.vp.dk)

## Board of Directors

Pierre Eric Francois Davoust, Chairman  
Eric Bey  
Jan Walther Andersen  
Hans René Stockner  
Amra Kovacevic (elected by the employees)  
Frank Thermann (elected by the employees)  
René Paludan (elected by the employees)

## Executive Management

Maria Helene Hjorth, CEO

## Auditor

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen  
CVR: 33 96 35 56

## Disclaimer

The information contained in any of VP Securities A/S' publications does not constitute legal advice. VP Securities A/S is not responsible for any errors and omissions in the presented material, nor does VP Securities A/S assume any liability for the completeness and accuracy of the information.  
VP Securities A/S cannot be held liable for any use of the presented information.

## CONTENTS

1.	MANAGEMENT COMMENTARY .....	4
2.	MANAGEMENT STATEMENT .....	13
3.	THE INDEPENDENT AUDITOR'S REPORT .....	14
4.	ACCOUNTING POLICIES APPLIED.....	17
5.	INCOME STATEMENT - 1 JANUARY TO 31 DECEMBER 2020.....	23
6.	BALANCE SHEET – ASSETS - AS AT 31 DECEMBER 2020.....	24
7.	BALANCE SHEET – LIABILITIES - AS AT 31 DECEMBER 2020.....	25
8.	EQUITY STATEMENT – AS AT 31 DECEMBER 2020.....	26
9.	CASH FLOW STATEMENT – 1 JANUARY TO 31 DECEMBER 2020 .....	27
10.	NOTES – FINANCIAL STATEMENT.....	28

## 1. MANAGEMENT COMMENTARY

### Financial highlights

DKK 1,000	2020	2019 *	2018	2017	2016
<b>Key figures</b>					
Net turnover	504,177	425,841	423,581	438,436	413,828
Gross profit	374,131	278,966	297,538	311,963	301,102
EBITDA	205,503	111,412	157,837	180,038	166,542
Operating result	134,331	38,374	124,203	160,684	160,303
Profit/loss on financial items	2,114	-5,973	1,678	5,684	2,949
Profit for the year	105,453	23,561	98,324	130,034	127,230
Total assets	841,057	747,903	737,404	636,085	485,936
Property, plant and equipment	7,608	1,596	2,380	6,348	708
Equity	686,880	595,187	633,438	535,114	405,080
Net interest-bearing debt	-564,300	-490,776	-420,388	-376,831	-321,866
Intangible fixed assets	129,712	128,574	244,036	188,663	95,992
Invested capital, year-end	122,563	104,411	213,051	158,283	83,214
Average invested capital	113,487	158,731	185,667	120,748	93,155
<b>Key ratios</b>					
Gross margin (per cent)	74	66	70	71	73
Net margin (per cent)	21	6	23	30	31
Return on invested capital (per cent)	154	76	70	119	140
Return on equity (per cent)	16	4	17	28	37
Solvency ratio (per cent)	82	80	86	84	83
Capital surplus (per cent) **	10	50	47	-	-
Profit per share (DKK)	2,636	589	2,458	3,251	3,181
Dividend per share (DKK)	6,073	344	-	-	-
Employees	190	189	188	179	176

\* Part of the historical Key figures and Key ratios for the period 2016-2019 are affected by changes in Accounting Policies implemented in 2020. However, only corresponding figures for 2019 have been adjusted in this overview.

\*\* After payment of proposed dividend.

Financial highlights are defined and calculated in accordance with the current version of Recommendations & Ratios" issued by the CFA Society Denmark.

## Primary activities

In August 2020, VP became part of Euronext, which is the leading pan-European exchange that connects local economies to global capital markets.

As a Copenhagen based central securities depository, VP offers local knowledge of the Nordics along with cross-border securities transactions and services that match the new European environment. The VP range of services includes secure issuance, clearing & settlement and safekeeping of securities to facilitate the requirements of the financial industry efficiently and reliably. In addition to CSD services, VP also offers Ancillary Services such as Issuing Agent Services, facilitation of Annual General Meeting (AGM) and Asset Services.

## COVID-19

VP Securities monitors the developments around the COVID-19 situation very closely, and we support and comply with the guidelines issued by local authorities. So far, the COVID-19 outbreak has had no impact on VP Securities' operations, and despite many employees working from home we have been able to ensure smooth and efficient running of critical functions and processes. During 2020, we have serviced our customers in a highly volatile trading environment, which has positively impacted trading activity and thus our revenues.

The longer-term impact of COVID-19 is uncertain and therefore VP Securities is not able to reasonably predict the impact it may have on our financial performance going forward.

## Development in activities

### VP Securities acquired by Euronext

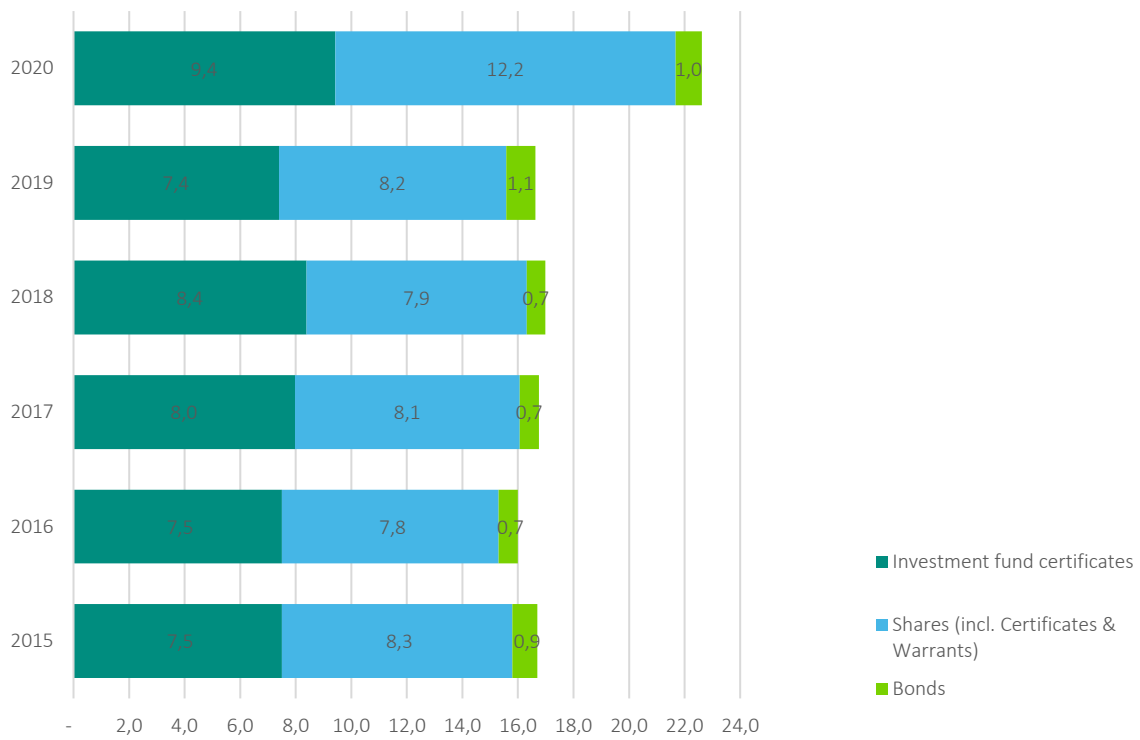
On 23 April 2020, Euronext, the leading pan-European exchange, announced that it was acquiring VP Securities in a move to strengthen its post-trade business. In mid-July 2020, Euronext received the Danish FSA's clearance to acquire VP Securities and at the beginning of August, Euronext completed the acquisition. With the sale of VP Securities to Euronext, VP has joined a pan-European group of CSDs and exchanges.

Joining Euronext is expected to open up a new range of opportunities for both VP and its customers, as VP is transitioning from being a standalone company to becoming a part of a larger international group focused on building a leading pan-European market infrastructure. The aim is to create a stronger, technology-driven organization, and take advantage of synergies in technology, products and know-how across the Euronext group.

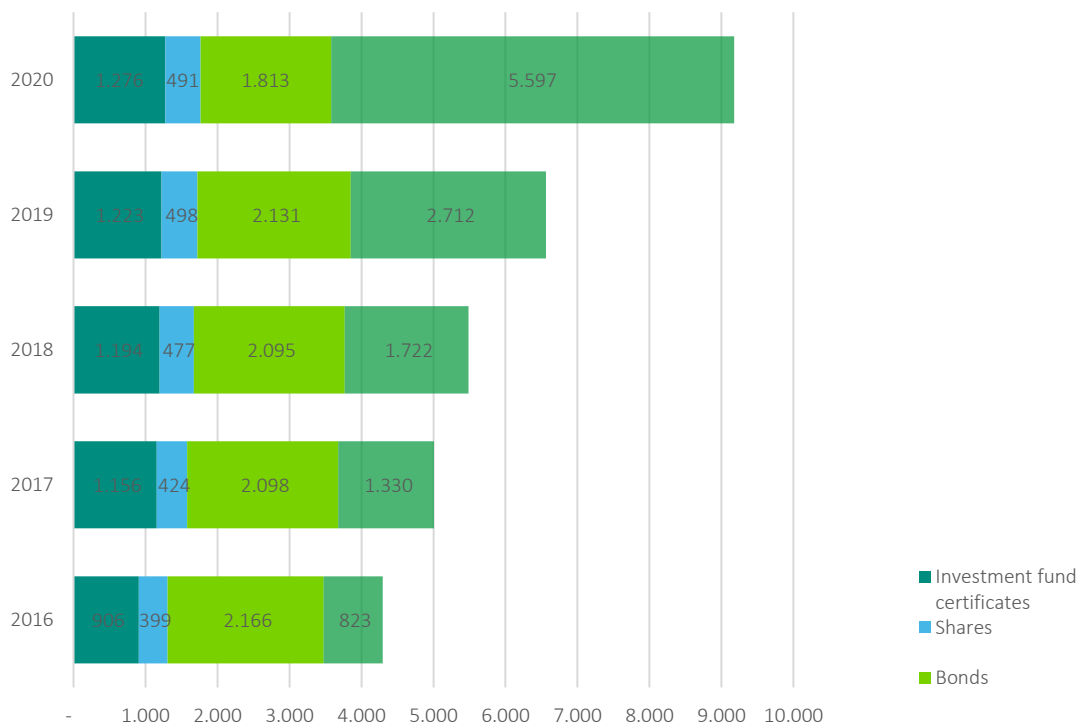
### 2020 activity highlights:

- The total market value of securities book-entered at VP at the end of 2020 amounted to DKK 10,849 billion, which is about DKK 1,800 billion higher than at the end of 2019, corresponding to an increase of 20 per cent.
- The turnover, or market value, of securities settled in 2020 amounted to DKK 57,979 billion. This is DKK 2,541 billion higher than in 2019, corresponding to an increase of 5 per cent.
- The number of securities transactions completed rose to 22.6 million in 2020. This is 6 million higher than in 2019, corresponding to an increase of 36 per cent.
- The total number of issuances was 9,177, which is an increase of 40 per cent compared to 2019.
- By the end of 2020, the number of custody accounts was 3.2 million – up from 3.0 million by the end of 2019.

**Number of securities transactions**



**Number of issuances**



## Post-trade

### *T2S and the Harmonized Settlement Model*

After VP migrated to the T2S platform, VP and the Danish financial sector became part of a wider community. However, further harmonization with international standards is still required in order to achieve the full potential of T2S – for the benefit of both Danish financial institutions and international investors.

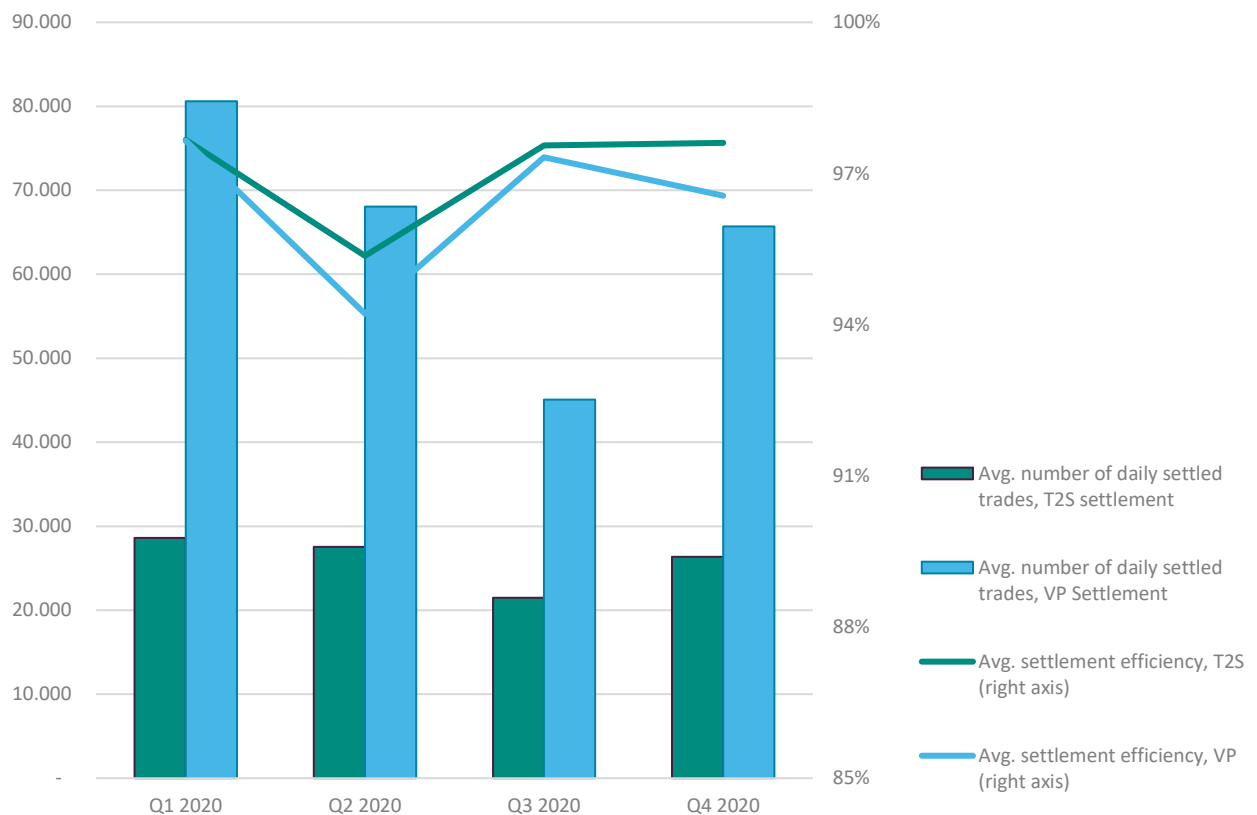
The Danish market has identified a number of initiatives to further optimize and harmonize the settlement model, and during 2020, VP, together with the market and the Danish financial sector's High Level Task Force, worked to streamline the Danish post-trade model. The focus is in particular on determining which accounts to transfer to T2S, how more settlement can be moved to T2S and on harmonizing how to identify yourself and your counterparts.

Working groups have been set up to handle the practical implementation of the harmonization and the aim is to implement the main enhancements and changes before the end of Q3 2021.

At the end of 2020, the T2S platform constituted a 78 per cent share of the total value traded compared to a 75 per cent share in 2019. This development is in line with expectations and is primarily attributable to the development for the total flow from professional investors.

DKK bn. / No.	2020				2019		
	Market value	% of market value	No. of settlements	% of total settlements	Market value	% of market value	% of total settlements
<b>Platform</b>							
VP Settlement	12.517	22	16.113.995	71	13.846	25	68
T2S Settlement	45.462	78	6.512.919	29	41.592	75	32
<b>Total</b>	<b>57.979</b>	<b>100</b>	<b>22.626.914</b>	<b>100</b>	<b>55.438</b>	<b>100</b>	<b>100</b>

### Settlement efficiency and transactions



### CSDR settlement discipline

CSDR's settlement discipline regime, which was initially due to enter into force in September 2020, and then February 2021, has been further postponed and will now come into force on 1 February 2022.

The reasons for the extension of the initial deadline relate primarily to the timing of the ISO messaging update required to support the implementation of the penalty mechanism in T2S, as well as operational aspects in connection with mandatory partial settlement and buy-in.

Despite the postponement, the Danish market and VP are working focused to get ready for the implementation and have a close dialogue about the coming changes. The focus is on developing and adapting processes in accordance with the T2S setup whilst at the same time ensuring that the local VP platform lives up to the upcoming regulation, including partial settlement.

The Danish market has, as one of the only CSDs on T2S, tested the penalty mechanism in T2S in 2020 and reported a successful test. The other European CSDs have postponed their test until 2021.

The Danish market has plans for drip implementations in 2021 to be as ready as possible when CSDR settlement discipline regime enters into force in 2022.



### *The Securities Financing Transactions Regulation (SFTR) – UTI*

SFTR, which is a piece of EU-regulation, includes requirements to obtain consent from a counterparty before re-using its collateral as well as disclosure and reporting to trade repositories. The purpose of the regulation is to enhance the transparency and regulatory oversight of the securities financing market.

The regulation is gradually being implemented and phase 2 of the implementation, starting on 11 July 2020, included CSDs – and accordingly VP.

As part of the regulation, it is required to use a Unique Transaction Identifier (UTI) in connection with repo transactions. In cooperation with the Danish market, VP has developed a simple solution that enables the exchange of UTIs already at day T+0 and which at the same time is based on existing structures and flows.

## **Issuance**

### *SRD II*

The last elements of the amended Shareholder Rights Directive (SRD II) came into force 3 September 2020, including companies' right to identify their shareholders, shareholders' right to be informed about general meetings and other corporate events and shareholders' right to participate and vote.

VP has developed a new technical solution (phase 1) for shareholder identification and information of general meetings and corporate events. In addition, VP has developed an interim solution for the exercise of shareholder rights – this solution will be used for a period of time and will be replaced by a fully automated solution when the development of a full message flow via ISO 20022 is implemented and operational in all markets.

### *Investor Services*

Until the 2020 Annual General Meeting (AGM) season, only relatively few Danish companies and mutual/pension funds chose the virtual or partly virtual AGM format. However, in 2020 many companies tested various virtual formats, primarily some sort of webcast formats with no interaction with shareholders, due to the COVID-19 restrictions.

VP offered a well-functioning solution facilitating both the fully and the partly virtual AGM already for the 2020 AGM season – ensuring that it is easy for shareholders to engage and exercise their shareholder rights online. In 2020, the solution was primarily used by a number of mutual and pension funds.

Companies and the involved parties are likely better prepared for the use of virtual formats in the 2021 AGM season than they were in 2020 – and with COVID-19 related restrictions still in place most companies are preparing for a partly or fully virtual AGM in 2021, allowing for shareholder engagement and voting. Therefore, VP has invested in creating better performance for the virtual AGM solution and the updated version went live in the beginning of 2021.

### *Issuing Agent Services*

In 2020, VP on boarded about 80 new customers in Issuing Agent Services, primarily Danish customers with a need for advice within special areas and support for their issues.

## Customer satisfaction

VP continually strives to improve customers' experience when interacting with VP through the various touchpoints. During 2020, a number of targeted initiatives were launched, including improvement of selected products and services, upgrade of screen experience and usability when using VP's solutions and steps to ensure operational stability.

In the fourth quarter of 2020, VP sent out its annual customer satisfaction survey. The results show improvements in satisfaction across the board and that internal efforts are bearing fruit.

The overall customer satisfaction increased by 2-index points to a score of 74 and is thus on par with the industry benchmark of 73. The survey also revealed positive trends for both the CSD business and Investor Services.

Other positive developments include an increase in decision makers' satisfaction levels, an increase in the overall perception of VP's image and an improved perception of VP's value for money.

Survey responses also highlighted areas for improvement. One area in particular is operational communication, especially in cases of incidents and issues. To ensure prompt, clear crisis communication with the market, VP has established a new Customer Crisis Management Group. The group's purpose is to ensure a close dialogue with the market when complex situations arise.

## Financial review

When assessing the financial results, as well as the financial position for 2020, changes in accounting policies should be considered. The accounting items directly affected are: Other external costs, Payroll costs, and Depreciation and indirectly Tax and Profit. Balance sheet items affected are: Internal development projects, Reserve for internal development projects, Retained earnings and Deferred tax. The implementation of changes in accounting policies related to IFRS 16 introduces new balance sheet items, Right-of-Use assets and corresponding Lease liabilities. Corresponding figures for 2019 have been adjusted accordingly. For further details see Accounting Policies.

### *Income Statement*

The net turnover for 2020 amounted to DKK 504.2 million compared to DKK 425.8 million in 2019, driven by an underlying growth in our core business, where the revenue within core CSD Services has grown from DKK 389.6 million to DKK 461.6 million. The main drivers were an increasing number of transactions settled and increased asset values especially within the asset classes, equities and investment funds.

The cost base decreased to DKK 298.7 million from DKK 314.4 million in 2019. The figures are in comparison with previous years affected by the change in accounting policies.

The operating result amounted to DKK 134.3 million versus DKK 38.4 million in 2019. The increase is primarily due to an increase in the net turnover of DKK 78.3 million, but also a decrease in Other external costs of DKK 16.8 million contributes to the positive development.

Tax on ordinary profit was DKK 31.0 million against DKK 8.8 million, whereof the change in deferred tax amounted to DKK 0.3 million. The deferred tax item emerges from timing differences between the taxable and the accounting depreciations on intangible assets.

The profit for the year amounts to DKK 105.5 million where the profit last year was DKK 23.6 million.

### *Balance sheet as per 31 December 2020*

As per 31 December 2020, VP's balance sheet was DKK 841.1 million compared to DKK 747.9 million as per 31 December 2019.

Current assets increased in 2020 to DKK 644.3 from DKK 544.1 million in 2019, whereof Other securities and investments increased by DKK 32.2 million and Liquid funds increased by DKK 41.4 million. The increase relates to the earnings generated during the year.

Equity, including the statutory non-distributable reserve, increased to DKK 686.9 million compared to DKK 595.2 million as per end of 2019. The increase attributes to the net result, regulations based on the change in accounting policies and the distribution of DKK 13.7 million in dividend.

The statutory non-distributable reserve as per 31 December 2020 was unchanged DKK 61.2 million. This is due to, pursuant to Section 213(2) of the Danish Financial Services Act, the interest rate was 0 per cent throughout 2020.

Current liabilities increased from DKK 152.7 million to DKK 154.2 million as per end of 2020.

### *Cash flows*

Cash flows from operations amounted to DKK 152.2 million compared to DKK 115.7 million in 2019.

Cash flows from investments were DKK -64.2 million, compared to DKK -34.9 million in 2019. The major change was seen for internal IT-development projects.

Cash flows from financing were DKK -13.8 due to paid dividend. The total change in liquidity for 2020 was DKK 74.3 million, which lead to a value of cash and cash equivalents of DKK 564.3 million as of 31 December 2020.

### **Capital surplus and dividend**

As of 31 December 2020 the capital base of VP Securities amounted to DKK 583.9 million and the required capital was calculated to DKK 310.0 million. Hence, the capital surplus as per 31 December 2020 is DKK 273.9 million corresponding to 88 per cent.

It is suggested to payout dividend of DKK 242.9 million leaving a capital surplus at 10 per cent on top of required capital.

### **Uncertainty relating to recognition and measurement**

No special uncertainties are considered for recognition and measurement in connection with the 2020 annual report.

## Outlook

For 2021, VP expects revenues to decline in the range of 5 to 10% compared to 2020 as a consequence of lower volatility in the financial markets due to the COVID-19 impact being significantly reduced. However, we expect lower costs as well and thus we expect our EBITDA margin for 2021 to be on par with 2020. The reduced costs are predominantly caused by lower staff costs and lower costs to external IT contractors. Depreciations are expected to increase and thus we expect the net profit margin for 2021 to decrease slightly compared to 2020.

## Particular risks

The key risk categories VP currently faces are:

- *Operational risks*, including cybercrime or cyberattacks directly on VP or via suppliers, IT infrastructural incidents, including incidents and system failures at external suppliers and business dependencies, legal and reputational risks, such as compliance and ethical risks, and other operational risks – for example direct or indirect human errors.
- *Strategic risks*, including risk related to the transformation from monopoly to competition within VP's business areas, "insourcing" of investment fund activities by banks, more far-reaching legislation and supervision by authorities due to, for example, scandals in the financial sector, increasing capital requirements, and macroeconomic and geopolitical development.
- *Financial risks*, including liquidity and credit risk.

## Statutory report on corporate social responsibility and on the underrepresented gender

VP Securities is fully owned by Euronext N.V. and we refer to "Euronext 2019 Universal Registration Document" chapter 3 and 4 for information on corporate social responsibility:

<https://www.euronext.com/en/investor-relations/financial-information/financial-reports>

and to "Euronext Diversity Policy" for information on the policy on the underrepresented gender:

<https://www.euronext.com/en/investor-relations/corporate-governance>

The above links were applicable at the time for the completion of this report – January 2021.

## Events after the balance sheet date

From the balance sheet date, up to now, there have not been any circumstances that adversely affect the assessment of the annual report.

## Treasury shares

The company holds 630 own shares each nominal DKK 1,000 corresponding to 1.57% of the total share capital.

---

## 2. MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have as of today's date considered and approved the Annual Report of VP Securities A/S for the financial year from 1 January to 31 December 2020.

The Annual Report is prepared and presented in accordance with the provisions of the Danish Financial Statements Act and some adjustments related to IFRS-standards reflecting that VP Securities A/S has become a subsidiary to a listed company.

In our opinion, the Financial Statements give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2020 and of the result of the company's activities, as well as the cash flows for the financial year from 1 January to 31 December 2020.

In our opinion, the Management's Review presents a true and fair account of the matters covered by the Review.

We recommend the Annual Report for approval by the Annual General Meeting.

Copenhagen, 11 February 2021

### Executive Management

Maria Helene Hjorth, CEO

### Board of Directors

Pierre Eric Francios Davoust, Chairman  
(elected at an extraordinary General Meeting)

Eric Bey  
(elected at an extraordinary General Meeting)

Jan Walther Andersen  
(elected by the Annual General Meeting)

Hans René Stockner  
(elected by the Annual General Meeting)

Amra Kovacevic  
(elected by the employees)

Frank Thermann  
(elected by the employees)

René Paludan  
(elected by the employees)

---

### 3. THE INDEPENDENT AUDITOR'S REPORT

#### To the shareholder of VP Securities A/S

##### Opinion

We have audited the financial statements of VP Securities A/S for the financial year from 1 January to 31 December 2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2020 and of the results of its operations and cash flows for the financial year from 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

##### 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 11 February 2021

Deloitte Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Henrik Wellejus

State-Authorised Public Accountant

MNE NO.: 24807

Michael Thorø Larsen

State-Authorised Public Accountant

MNE NO.: 35823



## 4. ACCOUNTING POLICIES APPLIED

The Annual Report is presented in compliance with the provisions of the Danish Financial Statements Act for accounting class C (large).

### Changes

Since the disclosure of the Annual Report 2019 there has been a significant change in the owner structure of VP Securities A/S. The new sole owner is Euronext N.V., registered in Amsterdam and headquartered in Paris. The parent company prepare and present financial statements in accordance with International Financial Reporting Standards (IFRS).

In order to align financial figures on group-level VP Securities has adapted to the standards, IFRS 16 (Leases) and IAS 38 (Intangible assets – capitalization of development costs).

The changes implemented have led to the following corrections;

DKK 1,000	Effect 2019	Effect, distributed	
		2019	2015-2018
<b>Income Statement</b>			
Other external costs	-950		
Payroll costs	-13,061		
Depreciation, amortisation and write-downs	34,013		
Tax on profit for the year	-4,401		
Profit for the year	15,601		
<b>Balance sheet</b>			
<i>Assets</i>			
Internal development projects	-59,245	20,001	-79,246
Right-of-Use assets (new)	69,085	69,085	
<b>Total assets</b>	<b>9,837</b>	<b>89,086</b>	<b>-79,246</b>
<i>Liabilities</i>			
Reserve for internal IT-development projects	-82,716	28,294	-111,010
Profit loss carried forward	36,505	12,692	49,197
Deferred tax	-12,654	4,780	-17,434
Other debt commitments	-382	-382	
Lease liabilities (new)	69,085	69,085	
<b>Total liabilities</b>	<b>9,837</b>	<b>89,086</b>	<b>-79,246</b>

Besides the above adjustments the Financial Statement for 2020 is presented in accordance with the same accounting policies as in 2019.

**General information on recognition and measurement**

Assets are recognised in the balance sheet when, as a result of a prior event, it is likely that future economic benefits will accrue, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when, as a result of a prior event, the company has a legal or actual obligation and it is likely that future financial benefits will divest from the company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement after initial recognition is as described for each accounting item below.

On recognition and measurement, account is taken of foreseeable risks and losses occurring before the Annual Report is presented and which confirm or refute conditions existing on the balance sheet date.

Income is recognised in the income statement as and when it is earned, while costs are recognised as the amounts concerning the financial year.

**Translation of foreign currencies**

On initial recognition, transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date. Receivables, debt commitments and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate prevailing on the balance sheet date.

Currency differences arising between the exchange rate on the transaction date and the rate prevailing on the date of payment or on the balance sheet date, respectively, are recognised in the income statement as financial items.

Balance sheet items are translated at the exchange rates on the balance sheet date.

**Income Statement****Net turnover**

Net turnover corresponding to the invoiced sales for the year under review is recognised in the income statement, once services have been rendered to the buyer. Net turnover is recognised exclusive of VAT and excise duties.

**Other external costs**

Other external costs include activity-dependent costs, costs of IT operations, costs of consulting services, audit and supervisory costs, facility management and office costs.

**Payroll costs**

Payroll costs comprise wages and salaries plus social security costs, pensions, etc., for the staff.

**Depreciation, amortisation and write-downs**

Depreciation, amortisation and write-down of property, plant and equipment and intangible assets consist of the depreciation and amortisation for the financial year, compiled according to the assets' residual values

and the expected economic lifetime. Write-downs as a consequence of impairment tests, or due to gains or losses on the divestment of the assets, are also included here.

### **Other financial income**

Other financial income comprises interest receivable, net capital gains in respect of securities, foreign exchange transactions, as well as refunds under the tax prepayment scheme, interest on lease liabilities, etc.

### **Other financial costs**

Other financial costs comprise interest payable, net capital losses in respect of securities, debt commitments and foreign exchange transactions, as well as interest payable under the tax prepayment scheme, etc.

### **Tax**

Tax for the year (comprising actual tax for the year and change in deferred tax for the year) is recognised in the income statement to the extent that it is directly attributable to profit for the year, or recognised directly in equity to the extent that it is attributable to items pertaining directly to equity.

## **Balance Sheet**

### **Intellectual property rights, etc.**

Other intangible assets comprise ongoing and completed IT development projects and software.

IT development projects are recognised as intangible assets provided that such projects relate to clearly defined, identifiable products and processes, where the degree of technical utilisation, adequate resources and a potential future market or development opportunity within the business can be demonstrated, and where the intention is to produce, market or use the product or process in question. Other development costs are recognised as costs in the income statement at the time they are incurred.

The cost price of development projects comprises salaries and other cost, which are directly attributable to the development projects.

Completed development projects are depreciated on a straight-line basis over the anticipated useful life. The depreciation period is 3-5 years.

Development projects, including current projects, are written down to their recovery value where this is below the book value.

Software licenses are measured at cost after deduction of accumulated depreciation, amortisation and write-downs. Software licenses are depreciated over maximum three years and are written down to the recovery value if this is below the book value.

### **Property, plant and equipment**

Leasehold improvements, technical plant and machinery and other equipment, operating plant and fixtures and fittings are measured at cost less accumulated depreciation and write-downs. Sites, art objects or other assets of which the value cannot depreciate as a consequence of use and wear are not subject to depreciation.

Cost price includes acquisition price, costs directly associated with the acquisition, as well as costs for preparation of the asset until it is ready to be taken into use.

The basis for depreciation is the cost price less the expected residual value when the asset ceases to be used. Depreciation takes place on a straight-line basis, according to the following expected economic lives:

- Production plant and machinery – 3-10 years.
- Other plant, operating equipment and fixtures and fittings – 3-10 years.
- Leasehold improvements – 5-10 years.

Assets with a cost price below DKK 25,000 are recognised as costs in the income statement as of the acquisition date.

Property, plant and equipment are written down to their recovery value where this is below the book value.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the sales prices less sales costs on the one hand, and the accounting value at the time of the sale on the other.

Gains or losses are recognised in the income statement together with depreciation, amortisation and write-downs or under other operating income, should the sales price exceed the original cost price.

### **Right-of-Use**

The Right-of-Use asset cover the value of the right to use the rented premises for a period estimated by the management. At the initial recognition equal to the Lease liability for the same asset.

### **Receivables**

Receivables are recognised at amortised cost price, which usually corresponds to face value, less write-downs to compensate for anticipated losses.

### **Deferred tax**

Deferred tax is calculated on all provisional differences between the values of assets and liabilities in the internal accounts and tax accounts respectively, whereby the value for tax purposes of the assets is obtained based on the planned use of the individual asset.

Deferred tax assets, including the tax value of deductible losses that can be carried forward, are recognised in the balance sheet at the anticipated realisable value of the asset, either by being offset against the deferred tax liability or as net tax assets.

### **Receivable and payable corporate tax**

The current tax liability or tax receivable is recognised in the balance sheet as tax calculated on the taxable profit for the year, adjusted for tax paid on account.

### **Prepayments**

Prepayments recognised under assets include defrayed costs relating to the subsequent financial year.

Prepayments are measured at cost.

### **Securities and investments**

Securities recognised under current assets include listed shares and bonds measured at their officially listed values on the balance sheet date. Both realised and unrealised capital gains and losses are recognised in the income statement under financial items.

### **Liquid funds**

Liquid funds include cash holdings and bank deposits.

### **Treasury shares**

Acquisition and selling prices of treasury shares and dividends from the same are recognised directly in profit carried forward under equity. Gains or losses from sales are thus not included in the income statement. Capital reduction from cancellation of treasury shares reduces the share capital by an amount corresponding to the face value of the Treasury shares.

### **Dividend**

Dividend is recognised as a debt commitment at the time of its adoption by the annual general meeting. The proposed dividend for the financial year under review is shown as a separate item under equity.

### **Liabilities**

Liabilities are measured at amortised cost price which usually corresponds to face value.

### **Leasing obligations**

Leasing liabilities relating to operational leasing agreements are recognised in the income statement on a straight-line basis during the term of the lease. Lease liabilities related to the rent of premises are recognized in the balance based on management estimates for the period of rental and the rental costs.

### **Cash flow statement**

The cash flow statement is presented using the indirect method and shows the cash flows in respect of operations, investments and financing combined with cash and cash equivalents at the beginning and end of the year.

Cash flows in respect of operations are calculated as the operating profit adjusted for non-cash operating items and the change in working capital, less corporate tax paid.

Cash flows in respect of investments include payments in connection with the acquisition, disposal and development of intangible assets and property, plant and equipment.

Cash flows concerning financing activities include changes in the size or composition of the company's share capital and associated costs, as well as the raising of loans, repayment of debts attracting interest, purchase of treasury shares and payment of dividends.

Cash and cash equivalents comprise liquid funds and short-term securities with an insignificant price exposure.

## 5. INCOME STATEMENT - 1 JANUARY TO 31 DECEMBER 2020

DKK 1,000	Note	2020	2019
Net turnover	1	504,177	425,841
Other external cost		-130,046	-146,875
<b>Gross profit</b>		<b>374,131</b>	<b>278,966</b>
Payroll costs	2	-168,629	-167,554
Depreciation, amortisation and write-downs	3	-71,172	-73,039
<b>Operating result</b>		<b>134,331</b>	<b>38,374</b>
Other financial income	5	4,706	6,285
Other financial costs	6	-2,591	-12,258
<b>Result from ordinary activities before tax</b>		<b>136,446</b>	<b>32,400</b>
Tax on ordinary profit	7	-30,992	-8,839
<b>Profit for the year</b>		<b>105,453</b>	<b>23,561</b>
<b>Proposed appropriation of profit</b>			
Profit for the year		105,453	23,561
Proposed dividend		-242,914	-13,777
<b>Profit carried forward</b>		<b>-137,461</b>	<b>9,784</b>

Other notes:

- 4 Fees for auditors elected by the Annual General Meeting
- 12 Lease liabilities
- 14 Contingent liabilities
- 15 Share capital
- 16 Related parties

## 6. BALANCE SHEET – ASSETS - AS AT 31 DECEMBER 2020

DKK 1,000	Note	2020	2019
Internal development projects	8	102,979	106,687
Other development projects	8	26,734	21,887
<b>Intangible fixed assets</b>		<b>129,712</b>	<b>128,574</b>
Production plant and machinery	9	8,172	3,986
Other equipment, process materials, fixtures and fittings	9	726	897
Leasehold improvements	9	1,066	1,228
Right-of-Use assets	9	57,078	69,085
<b>Property, plant and equipment</b>		<b>67,041</b>	<b>75,195</b>
<b>Fixed assets</b>		<b>196,754</b>	<b>203,769</b>
Receivables from sales and services		52,975	30,028
Other receivables		7,866	7,615
Prepayments	10	19,161	15,717
<b>Receivables</b>		<b>80,002</b>	<b>53,359</b>
<b>Other securities and investments</b>		<b>392,220</b>	<b>360,048</b>
<b>Liquid funds</b>		<b>172,080</b>	<b>130,728</b>
<b>Current assets</b>		<b>644,303</b>	<b>544,135</b>
<b>Total assets</b>		<b>841,057</b>	<b>747,903</b>



## 7. BALANCE SHEET – LIABILITIES - AS AT 31 DECEMBER 2020

DKK 1,000	Note	2020	2019
Corporate capital		40,000	40,000
Other statutory reserves		61,176	61,176
Reserve for internal IT-development projects		80,324	83,216
Profit/loss carried forward		262,466	397,018
Proposed dividend		242,914	13,777
<b>Equity and non-distributional reserve</b>		<b>686,880</b>	<b>595,187</b>
Deferred tax	11	28,108	27,825
Lease liabilities	12	45,251	57,334
<b>Long-term debt commitments</b>		<b>73,359</b>	<b>85,159</b>
Suppliers of goods and services		6,622	10,247
Corporate tax payable		3,666	4,243
Other debt commitments		58,447	41,317
Lease liabilities	12	12,083	11,751
<b>Short-term debt commitments</b>		<b>80,818</b>	<b>67,558</b>
<b>Debt</b>		<b>154,177</b>	<b>152,716</b>
<b>Total liabilities</b>		<b>841,057</b>	<b>747,903</b>

## 8. EQUITY STATEMENT – AS AT 31 DECEMBER 2020

DKK 1,000	Corporate capital	Other statutory reserves *	Reserve for internal IT-development projects	Profit / loss carried forward	Dividend	Totals
<b>Equity at 31-12-2018</b>	<b>40,000</b>	<b>61,176</b>	<b>223,624</b>	<b>308,638</b>	-	<b>633,438</b>
Change in Accounting Policies 2015-18			-111,010	49,197		-61,813
<b>Equity at 31-12-2018, adjusted</b>	<b>40,000</b>	<b>61,176</b>	<b>112,614</b>	<b>357,835</b>	-	<b>571,625</b>
<b>Equity at 01-01-2019, adjusted</b>	<b>40,000</b>	<b>61,176</b>	<b>112,614</b>	<b>357,835</b>	-	<b>571,625</b>
Change in Accounting Policies			28,294	-12,692		15,602
Proposed dividend					13,777	13,777
Profit carried forward			-57,692	51,875		-5,817
<b>Equity at 31-12-2019, adjusted</b>	<b>40,000</b>	<b>61,176</b>	<b>83,216</b>	<b>397,018</b>	<b>13,777</b>	<b>595,187</b>
<b>Equity at 01-01-2020, adjusted</b>	<b>40,000</b>	<b>61,176</b>	<b>83,216</b>	<b>397,018</b>	<b>13,777</b>	<b>595,187</b>
Dividend paid					-13,760	-13,760
Other equity regulation				17	-17	-
Proposed dividend					242,914	242,914
Profit carried forward			-2,891	-134,570		-137,461
<b>Equity at 31-12-2020</b>	<b>40,000</b>	<b>61,176</b>	<b>80,324</b>	<b>262,466</b>	<b>242,914</b>	<b>686,880</b>

### \* Statutory allocation to non-distributable reserve

The conversion of the private foundation Værdipapircentralen into VP Securities A/S, a limited liability company, required the establishment of a non-distributable reserve corresponding to the value of the assets contributed by the private foundation after deduction of the contributed liabilities. Pursuant to the Danish Securities Trading Act, VP Securities A/S must allocate 10 per cent of the profit for the year which has not been used to cover any losses from previous years to the non-distributable reserve. This allocation may not, however, exceed the yield on the non-distributable reserve, which corresponds to the interest rate calculated in accordance with Section 213(2) of the Danish Financial Business Act, less a pro rata share of the corporation tax for the year. The latter rule of limitation is to be used for the 2020 financial year. As the interest rate pursuant to Section 213(2) of the Danish Financial Business Act was 0 per cent in both the first and second half of 2020 there is thus no adjustment in respect of 2020.

## 9. CASH FLOW STATEMENT – 1 JANUARY TO 31 DECEMBER 2020

DKK 1,000	Note	2020	2019
Operating result		134,331	38,374
Depreciations, amortisations and write-downs		71,172	73,039
Change in working capital	13	-24,892	8,022
<b>Cash flow from ordinary activities</b>		<b>180,611</b>	<b>119,434</b>
Financial income received		3,724	6,399
Financial costs paid		-1,253	-723
Corporate tax paid		-30,906	-9,452
<b>Cash flow from operations</b>		<b>152,176</b>	<b>115,658</b>
Intangible assets investments		-56,547	-33,341
Purchase of property, plant and equipment		-7,608	-1,596
Sale of tangible fixed assets		-	1
<b>Cash flow from investments</b>		<b>-64,154</b>	<b>-34,936</b>
Dividend paid		-13,760	-
<b>Cash flow related to financing</b>		<b>-13,760</b>	<b>-</b>
<b>Net changes in cash and cash equivalents for the income year</b>		<b>74,262</b>	<b>80,723</b>
<b>Cash and cash equivalents - 1 January 2020</b>		<b>490,776</b>	<b>420,388</b>
Net changes for the income year		74,262	80,723
Mark to market adjustment of FX and securities		-737	-10,335
<b>Cash and cash equivalents - 31 December 2020</b>		<b>564,300</b>	<b>490,776</b>
<b>Cash and cash equivalents comprise</b>			
Liquid funds		172,080	130,728
Other securities and investments		392,220	360,048
<b>Total</b>		<b>564,300</b>	<b>490,776</b>

## 10. NOTES – FINANCIAL STATEMENT

DKK 1,000	2020	2019
<b>1. Net turnover</b>		
CSD & Securities Services	461,589	389,628
Issuer Services	42,588	36,213
	<b>504,177</b>	<b>425,841</b>
<b>2. Payroll costs</b>		
Wages and salaries	165,614	157,707
Pensions	11,606	11,006
Other social security costs	20,707	21,580
Capitalisation of salaries	-29,298	-22,740
	<b>168,629</b>	<b>167,554</b>
Of which total remuneration paid to the Board of Directors and the Executive Management	8,963	7,905
<b>Average number of full-time employees</b>	<b>190</b>	<b>189</b>
<b>3. Depreciation, amortisation and write-downs</b>		
Amortisation of intangible assets	55,407	69,556
Depreciation of property, plant and equipment	15,765	3,485
Profit /Loss from sale of intangible and tangible fixed assets	-	-1
	<b>71,172</b>	<b>73,039</b>
<b>4. Fees for auditors elected by the Annual General Meeting</b>		
Statutory audit	405	427
Tax, VAT and other duty services	22	106
Other services	1,134	1,272
Regulation previous years	108	78
	<b>1,669</b>	<b>1,883</b>
<b>5. Other financial income</b>		
Other interests receivable	4,236	6,183
Fair value adjustments	236	73
Other financial income	234	29
	<b>4,706</b>	<b>6,285</b>
<b>6. Other financial costs</b>		
Other interests payable	1,253	719
Fair value adjustments	764	11,122
Other financial costs	574	417
	<b>2,591</b>	<b>12,258</b>

**7. Tax on ordinary profit**

Current tax	30,158	15,358
Change in deferred tax	284	-6,881
Regulation previous years	551	362
	<b>30,992</b>	<b>8,839</b>

**8. Intangible fixed assets**

DKK 1,000	Other development projects	Development projects
Costs, beginning of the year	34,702	200,652
Additions	13,080	43,466
<b>Cost, end of the year</b>	<b>47,782</b>	<b>244,118</b>
Depreciations, amortisations and write-downs, beginning of the year	-12,816	-93,966
Depreciations and amortisations, for the year	-8,233	-47,174
<b>Depreciations, amortisations and write-downs, end of the year</b>	<b>-21,050</b>	<b>-141,140</b>
<b>Carrying amount, end of the year</b>	<b>26,734</b>	<b>102,979</b>

**9. Property, plant and equipment**

DKK 1,000	Production, plant and machinery	Other equipment process material, fixtures and fittings	Leasehold improvements	Right-Of-Use assets
Costs, beginning of the year	18,101	10,455	8,640	69,085
Additions	7,487	121	-	-
<b>Cost, end of the year</b>	<b>25,588</b>	<b>10,576</b>	<b>8,640</b>	<b>69,085</b>
Depreciations, amortisations and write-downs, beginning of the year	-14,115	-9,558	7,410	-
Depreciations and amortisations, for the year	-3,301	-292	-165	-12,007
<b>Depreciations, amortisations and write-downs, end of the year</b>	<b>-17,417</b>	<b>-9,850</b>	<b>-7,574</b>	<b>-12,007</b>
<b>Carrying amount, end of the year</b>	<b>8,172</b>	<b>726</b>	<b>1,066</b>	<b>57,078</b>

**10. Prepayments**

The prepayments and accruals primarily comprise accrued prepaid salaries and costs relating to multi-year contracts with suppliers.

	2020	2019
<b>11. Deferred tax</b>		
Intangible fixed assets	-28,532	-28,281
Property, plant and equipment	424	457
	<b>-28,108</b>	<b>-27,825</b>

**12. Lease liabilities**

The lease liabilities covers the managerial estimate on the accounting of the company's property lease. The contractual notice of termination of the property lease is 9 months, but in line with the implemented accounting policies the liability should reflect the estimated period of use, which end of the year is set at 57 months. The lease liability is offset by the corresponding Right-of-Use asset.

**13. Changes in working capital**

Change in receivables	-26,642	8,281
Change in trade creditors etc.	1,752	-259
	<b>-24,891</b>	<b>8,022</b>

**14. Contingent liabilities**

Severance commitments - The Executive Management is subject to an ordinary notice of termination of 12 months.

**15. Share capital**

The share capital consists of 40,000 shares each of nominal DKK 1,000 leading to a share capital of DKK 40,000,000. No shares have specific rights.

As per 31. December 2020, the parent company Euronext N.V. holds 39,370 shares corresponding to 98.43% while the company holds 630 own shares corresponding to 1.57%.

**16. Related parties**

Euronext N.V., Beursplein 5, 1012 JW Amsterdam, The Netherlands, exercises the control over VP Securities A/S.

No transactions have been exchanged between the parties in 2020.

In case other entities within the Euronext Group have been using or will use services offered by VP Securities these will be charged at market price or cost. The value of these transactions is expected to be limited.

Related parties comprise also members of the Board of Directors and the Executive Management, their close family members and companies in which these persons have significant influence.

In 2020, Arbejdernes Landsbank A/S, where board member Jan W. Andersen holds the position as Executive General Manager, bought market services at market prices for DKK 6.3 million.

Remuneration to the Board of Directors and the Executive Management is disclosed in Note 2.