

**MobilePay A/S**

**Holmens Kanal 2-12**

**DK-1060 Copenhagen K**

**CVR no. 26045231**

**Annual report for 2017**

The annual report was presented and adopted by  
the shareholders at the Company's annual  
general meeting  
on 26 March 2018

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Chairman

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## Company details

### Company

MobilePay A/S

Holmens Kanal 2-12, DK-1092 Copenhagen K

CVR no.: 26 04 52 31

Financial year: 1 January – 31 December

Date of incorporation 22 May 2001

Registered office: Copenhagen

Phone: +45 45 14 44 47

Internet: [www.mobilepay.dk](http://www.mobilepay.dk)

E-mail: [mobilepay@mobilepay.dk](mailto:mobilepay@mobilepay.dk)

### Board of Directors

Jesper Nielsen (Chairman)

Tonny Thierry Andersen (Vice Chariman)

James Martin Ditmore

Flemming Stig Pristed

Jeanette Løgstrup

### Executive Board

Mark Majgaard Wraa-Hansen (CEO)

Janne Dyrlev

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6, DK-2300 Copenhagen S

### General meeting

The annual general meeting is scheduled to be held on 26 March, 2018 at the Company's registered address.

## Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MobilePay A/S for the financial year 1 January – 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's report includes a fair review of developments in the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 22 March 2018

## Executive Board

\_\_\_\_\_  
Mark Majgaard Wraa-Hansen  
CEO

\_\_\_\_\_  
Janne Dyrlev

## Board of Directors

\_\_\_\_\_  
Jesper Nielsen  
Chairman

\_\_\_\_\_  
Tonny Thierry Andersen  
Vice Chariman

\_\_\_\_\_  
James Martin Ditmore

\_\_\_\_\_  
Flemming Stig Pristed

\_\_\_\_\_  
Jeanette Løgstrup

## Independent auditor's report

### To the shareholders of MobilePay A/S

#### Opinion

We have audited the financial statements of MobilePay A/S for the financial year 1 January 2017 to 31 December 2017, which comprise the income statement, balance sheet 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 2017 and of the results of its operations for the financial year 1 January 2017 to 31 December 2017 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, 22 March 2018

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Jens Ringbæk  
State-Authorised  
Public Accountant  
MNE no 27735

## Management's review

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Gross profit	87.514	55	24	0	0
Operating profit/loss	-12.704	55	-10	-5	-6
Net financials	-259	0	0	0	0
Profit/loss for the year	-10.111	43	-7	-4	-5
Balance sheet total	270.915	565	531	506	513
Investments in property, plant and equipment	0	0	0	0	0
Equity	120.425	536	493	500	504
<b>Financial ratios</b>					
Return on equity (%)	-16,7%	8,4%	-1,4%	-0,8%	-1,0%
Equity ratio (%)	44,5%	94,9%	92,8%	98,8%	98,2%

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015", issued by the Danish Finance Society. For terms and definitions, see "Accounting policies". The significant development from 2016 to 2017 is due to the transfer of a MobilePay activity at 1 January 2017. As the Company applies the Book Value Method to intra-group business combinations, comparative figures have not been restated, nor have the financial highlights from 2013 to 2015.

## **Management's review**

### **Business review**

The Company's principal activity is to develop and hold the rights to MobilePay.

### **Financial review**

For 2017, the Company reported a net loss of DKK 10.111 thousand against a net gain of DKK 43 thousand the year before. The Company's revenue and level of activity increased substantially in 2017 due to the takeover of the MobilePay functions. The loss meets expectations for MobilePay being a start-up company.

Effective 1 January 2017, the Company acquired the MobilePay application and relating functionalities from Danske Bank A/S. On that occasion, the Company changed its name from MobileDay to MobilePay. Currently, the application is used in Denmark and in Finland distributed via MobilePay Denmark A/S and Danske Bank in Finland, respectively. The Finnish activities are expected to be carved out from Danske Bank to MobilePay Finland Oy during 2018.

### **Recognition and measurement uncertainties**

Software is recognised under Intangible assets, when the software is either being, or intended to be, used and carries a value from e.g. a market for selling products based on the software. At least, on a yearly basis, impairments will be evaluated.

### **Events after the balance sheet date**

No events have occurred in the period from the balance sheet date until today which may change an evaluation of the annual report.

### **Outlook**

The Company further develops solutions and the application potential offered by MobilePay. On this basis, the Company expects to make significant investments, while the Company is still in its start-up, why a loss is expected also for 2018.

## Income statement for 2017

	Note	2017 DKK'000	2016 DKK'000
Gross profit		87.514	55
Staff costs	3	41.097	0
Amortisation, depreciation and impairment	4	59.121	0
<b>Operating profit/loss</b>		<b>-12.704</b>	<b>55</b>
Other financial expenses	5	259	0
<b>Profit before tax</b>		<b>-12.963</b>	<b>55</b>
Tax for the year	6	-2.852	12
<b>Profit for the year</b>		<b>-10.111</b>	<b>43</b>
 <b>Proposed appropriation of profit</b>			
Dividend proposed for the financial year		0	0
Retained earnings		-10.111	43
		<b>-10.111</b>	<b>43</b>

**Balance sheet at 31 December 2017**

	Note	2017 DKK'000	2016 DKK'000
Software	-----	106.991	0
<b>Intangible assets</b>	<b>7</b>	<b>106.991</b>	<b>0</b>
 <b>Non-current assets</b>		 <b>106.991</b>	 <b>0</b>
Trade receivables		17.700	0
Receivables group undertakings		15.440	0
Other receivables		29	21
Prepayments	8	58	0
<b>Receivables</b>		<b>33.227</b>	<b>21</b>
 <b>Cash</b>		 <b>130.697</b>	 <b>544</b>
 <b>Current assets</b>		 <b>163.924</b>	 <b>565</b>
 <b>Assets</b>		 <b>270.915</b>	 <b>565</b>

**Balance sheet at 31 December 2017**

	<b>Note</b>	<b>2017</b> <b>DKK'000</b>	<b>2016</b> <b>DKK'000</b>
	-----	-----	-----
Share capital		10.500	500
Retained earnings		109.925	36
Dividend proposed for the financial year		0	0
<b>Equity</b>		<b>120.425</b>	<b>536</b>
Provisions for deferred tax	9	23.538	0
<b>Provisions</b>		<b>23.538</b>	<b>0</b>
Due to credit institutions		108.470	0
Trade payables		205	0
Coporate tax payable	6	9.217	0
Other payables	10	9.060	29
<b>Current liabilities</b>		<b>126.952</b>	<b>29</b>
<b>Liabilities</b>		<b>150.490</b>	<b>29</b>
<b>Equity and liabilities</b>		<b>270.915</b>	<b>565</b>
		=====	=====
Contingent liabilities	11		
Related parties and ownership structure	12		

## Statement of changes in equity

	Share- capital DKK'000	Retained earnings DKK'000	Dividend proposed for the financial year DKK'000	Total DKK'000
Equity at 1 January 2017	500	36	0	536
Dividend distributed for the year	0	0	0	0
Capital increase	10.000	120.000	0	130.000
Profit/ loss for the year	0	-10.111	0	-10.111
<b>Equity at 31 December 2017</b>	<b>10.500</b>	<b>109.925</b>	<b>0</b>	<b>120.425</b>

The share capital consists of 21 shares of DKK 500.000 each.  
The shares are not divided into share classes.

Movements in the share capital in the past five financial years	
Share capital at 1 January 2013	500
Capital increase in 2017	10.000
<b>Share capital at 31 December 2017</b>	<b>10.500</b>

## Notes

### 1. Accounting policies

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act applicable to medium-sized reporting class C entities.

The Company's financial statements are part of the consolidated financial statements for Danske Bank A/S, Copenhagen. By reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has therefore been prepared.

The financial statements for 2016 were presented in accordance with the provisions applicable to reporting class B entities, while the financial statements for 2017 are presented in accordance with the provisions applicable to reporting class C entities, in consequence of the takeover of the MobilePay application and the relating functionalities. As the change from reporting class B to reporting class C has not affected the accounting policies previously used, it has neither affected current-year figures nor comparative figures.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, whereas expenses are recognised by the amounts attributable to the financial year.

Assets are recognised in the balance sheet when it is probable that, as the result of a past event, 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 the Company has a legal or constructive obligation as a result of a past event, and it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below in respect of each individual item.

Recognition and measurement take into account predictable risks and losses occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

## **Accounting policies (continued)**

### **Accounting estimates and judgements**

Management's estimates and judgments in respect of future events that will affect the carrying amounts of assets and liabilities underlie the preparation of the financial statements. Estimates and judgements that are deemed most critical to the financial statements are capitalisation and amortisation of software. Management's estimates and judgements are based on assumptions which Management considers reasonable, but which are inherently uncertain and unpredictable.

### **Principles for related party transactions**

The Company is part of the Danske Bank Group, which consists of a number of separate legal entities. Related party transactions are settled on market terms. Expenses incurred centrally are billed to the individual group entities as calculated unit prices based on consumption and activity in accordance with the rules on transfer pricing or at market prices if such prices exist.

### **Intra-group business combinations**

The book value method is applied to intra-group business combinations, meaning that entities are generally considered acquired at the time when control is transferred. However, company-law transactions such as mergers, demergers, exchange of shares and asset contributions which are made with retroactive effect take effect for financial reporting purposes on the first day of the financial year. This method does not require restatement of prior-year comparative figures.

## **Income statement**

### **Revenue**

The Company's revenue consists of licence and administration fees as well as software development fees. Revenue is recognised net of VAT, taxes, duties and discounts related to the sale and is measured at the fair value of the consideration agreed.

### **External expenses**

External expenses comprise expenses relating to the operation and administration of the Company's activities.

## **Accounting policies (continued)**

Other external expenses also comprise expenses relating to development projects that do not qualify for capitalisation.

### **Staff costs**

Staff costs comprise payroll costs, social security costs, pensions, etc. relating to the Company's employees.

### **Amortisation, depreciation and impairment**

Amortisation, depreciation and impairment comprise the year's amortisation, depreciation and impairment charges in respect of intangible assets.

The assets are depreciated based on annuity principles and in consideration of the economic life and residual value of the asset concerned.

### **Financial income and expenses**

Financial income and expenses comprise interest income and expenses as well as surcharges and allowances under the Danish Tax Prepayment Scheme.

### **Tax**

Tax for the year, which consists of current tax and changes in deferred tax for the year, is recognised in the income statement as regards the portion attributable to the profit/loss for the year and directly in equity as regards the portion attributable to entries directly in equity.

The Company is jointly taxed with its parent, Danske Bank A/S, according to the rules on compulsory joint taxation. The current Danish corporation tax liability is allocated among the jointly taxed entities in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

## Accounting policies (continued)

### Balance sheet

#### Intangible assets

Software is recognised under Intangible assets, when the software is either being, or intended to be, used and carries a value from e.g. a market for selling products based on the software.

Completed software is amortised on a straight-line basis over its expected useful life. The amortisation period is usually three years, but may in certain situations be longer if prolonging the period is considered to better reflect the Company's use of the developed software.

An impairment test is performed for software if there is evidence of impairment.

#### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value less provisions for bad debts.

#### Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years. Prepayments are measured at cost.

#### Cash

Cash comprises bank deposits.

### Equity

#### Dividend

Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity". Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date).

#### Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

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, calculated based on the planned use of the asset or settlement of the liability, respectively.

## Accounting policies (continued)

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at the value at which the asset is expected to be realised, either through a set-off against deferred tax liabilities or as net tax assets. Deferred tax is recognised under “Deferred tax assets” or “Provisions for deferred tax”, respectively.

The Company is jointly taxed with its parent, Danske Bank A/S. The current Danish corporation tax is allocated among the jointly taxed entities in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

### Liabilities

Liabilities are measured at amortised cost, which usually corresponds to the nominal value.

### Financial highlights

Financial ratios are calculated in accordance with “Recommendations and Financial Ratios 2015”, issued by the Danish Finance Society.

#### Financial ratios

Return on equity (%) =

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$$

#### Financial ratios express

The Company’s return on the capital invested by the equity owners.

Equity ratio (%) =

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

The Company’s financial strength.

## 2. Acquisition of MobilePay

In 2017, the Company took over the development of and the rights to MobilePay, including the actual development work and consisting of IP rights in respect of products, systems and applications as well as handling of IT solutions and operations. On that occasion, the Company changed its name from MobileDay to MobilePay. The transfer was made from the Company’s parent, Danske Bank A/S. The transfer, which took place in the form of a non-cash contribution as well as a capital increase has been completed with retroactive effect at 1 January 2017. The difference between acquired assets and liabilities (remuneration) totalled DKK 130,000,000. As the Company applies the Book Value Method to intra-group business combinations, comparative figures have not been restated.

As a consequence, the Company’s operations were considerably changed relative to prior years. Today, the Company’s principal activity is to develop, hold and sale of licenses to use the rights to MobilePay.

## Notes

	<b>2017</b>	<b>2016</b>
<b>3. Staff costs (DKK'000)</b>		
Wages and salaries	32.338	0
Pensions	3.199	0
Other social security costs	5.560	0
	<u>41.097</u>	<u>0</u>
Hereof total remuneration/fees to:		
Executive Board	<u>4.415</u>	<u>0</u>
Average number of employees	<u>39</u>	<u>0</u>

There are no remuneration to the Board of Directors

### Special incentive plans

The CEO of MobilePay A/S participates in a short term incentive programme with a bonus maximum of 50% of fixed salary. Bonus calculation is based on an individual performance agreement, including three levels of Key Performance Indicators (KPIs): Danske Bank Group KPIs (weight 20%), MobilePay KPIs (weight 30%) and Individual KPIs (weight 50%), and both financial and non-financial targets. Variable payment is split into cash and equity shares according to EBA regulations and Danske Bank Group's Remuneration Committee. According to the size of the bonus/variable payment, part of the bonus is deferred. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.

### 4. Amortisation/ depreciation (DKK'000)

Software	59.121	0
	<u>59.121</u>	<u>0</u>

## Notes

### 5. Other financial expenses (DKK'000)

Financial expenses, group entities	259	0
	<u>259</u>	<u>0</u>

### 6. Tax for the year (DKK'000)

Current tax	9.217	12
Change in deferred tax	-12.069	0
	<u>-2.852</u>	<u>12</u>

### Software

### 7. Intangible assets (DKK'000)

Cost at 1 January 2017	161.851
Additions	4.261
Disposals	0
<b>Cost at 31 December 2017</b>	<b><u>166.112</u></b>
Amortisation and impairment losses at 1 January 2017	0
Amortisation for the year	59.121
<b>Amortisation and impairment losses at 31 December 2017</b>	<b><u>59.121</u></b>
<b>Carrying amount at 31 December 2017</b>	<b>106.991</b>

### 8. Prepayments (DKK'000)

	<u>2017</u>	<u>2016</u>
Prepaid expenses	58	0

## Notes

### 9. Deferred tax (DKK'000)

Deferred tax at 1 January	35.607	0
Adjustment of deferred tax for the year	-12.069	0
Deferred tax at 31 December	<u>23.538</u>	<u>0</u>

The deferred tax charge all relates to intangible assets

### 10. Other payables (DKK'000)

Wages/ salaries, salary tax, social security contributions, etc.	9.908	0
Other accrued expenses	52	29
	<u>9.960</u>	<u>29</u>

### 11. Contingent liabilities

The Company is jointly and severally liable with jointly registered group entities for the total VAT liability.

### 12. Related parties and ownership structure

The Company is a wholly owned subsidiary of Danske Bank A/S, Copenhagen.

The Company's financial statements are part of the consolidated financial statements for Danske Bank A/S, Copenhagen.

The consolidated financial statements can be obtained at [www.danskebank.dk](http://www.danskebank.dk)

Related party transactions:

MobilePay A/S has engaged in the following related party transactions (DKK'000):

	2017	2016
License and administration fee from MobilePay Denmark and Danske Bank	25.047	0
Internal costs to Danske Bank A/S	107.598	103
Interest expenses to Danske Bank A/S	259	0
Due to credit institutions (Danske Bank A/S)	108.470	0
Cash	130.697	544

Further the Company has in 2017 taken over the development of and the rights to MobilePay from Danske Bank, see further description in note 2.