
Eurogiro A/S

Toldbodgade 55 B, DK-1253 Copenhagen K

Annual Report for 1 January - 31 December 2018

CVR No 31 05 66 67

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
23/5 2019

Michael M. Mikkelsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Eurogiro A/S for the financial year 1 January - 31 December 2018.

The Annual Report is 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 at 31 December 2018 of the Company and of the results of the Company operations for 2018.

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.

København, 23 May 2019

Executive Board

Jacob Tackmann Thomsen
(joined as CEO at 5 April 2019)
CEO

Board of Directors

Jan Ovesen
(joined at 5 April 2019)
Chairman

Jacob Tackmann Thomsen

Johannes Petrus Boon

Mohit Davar

Uwe Holmsgaard

Dame Damevski

Independent Auditor's Report

To the Shareholders of Eurogiro 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Eurogiro A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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 Financials 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 misstate-

Independent Auditor's Report

ment, 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 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 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

Independent Auditor's Report

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.

Ringsted, 23 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Brian Petersen
statsautoriseret revisor
mne28701

Jesper Ehlers
statsautoriseret revisor
mne35414

Company Information

The Company

Eurogiro A/S
Toldbodgade 55 B
DK-1253 Copenhagen K

CVR No: 31 05 66 67
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jan Ovesen
(joined at 5 April 2019), Chairman
Jacob Tackmann Thomsen
Johannes Petrus Boon
Mohit Davar
Uwe Holmsgaard
Dame Damevski

Executive Board

Jacob Tackmann Thomsen
(joined as CEO at 5 April 2019)

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Eventyrvej 16
DK-4100 Ringsted

Management's Review

The Financial Statements of Eurogiro A/S for the year ending 31 December 2018, have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Statements have been prepared under the same accounting policies as applied for the previous year.

Primary activities

Eurogiro is a payment network and community of banks and postal organisations which provides cross-border payments services.

Development in finances and main activities

Acquisition

2018 featured a landmark in Eurogiro's history when Inpay holding acquired 100% of Eurogiro A/S in March 2018. The synergies between Inpay A/S as a FinTech and Eurogiro A/S as a Postal Financial Services Provider have benefited both companies significantly and an even closer collaboration is expected the coming years.

Financial performance

Significant investments are made to build a new business platform and to launch new innovative products to the Eurogiro community. Consequently, Eurogiro faces a negative financial result before tax for 2018 of DKK 10,953k (2017, DKK -2,926k). The financial result is according to budget and is fully aligned with the strategy of investing in a new ground-breaking digital financial ecosystem for current and future members.

ESSP

Erste Group Bank AG will in collaboration with Inpay A/S offer the central Euro settlement service to members as of July 1st, 2019. Erste Bank is a major European bank with a solid track record of providing settlement and clearing services.

Financial Supermarket

During the annual ECM conference in Copenhagen in June 2018, the concept of the new business platform of the financial supermarket was presented. The supermarket introduces significant revenue growth opportunities for existing and new members with access to a full range of financial services. The supermarket was launched with the Bulgarian Post in May 2019 and has drawn massive attention from the Eurogiro community and major players from the industry.

Management's Review

Capital resources

To support the significant investments into the new business platform and product portfolio, the shareholder invested DKK 5,5 million fresh capital in Eurogiro a/s as per 13th March 2019, together with a declaration of support, ensuring Eurogiro's sufficient liquidity and enabling growth.

The management is confident that massive business development effort ongoing in Eurogiro creates the basis for a sound, viable and profitable development in the medium-term, and in that context understands the loss recorded.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		-5.189.717	4.058.819
Staff expenses	1	-5.526.283	-5.200.507
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-9.984	-24.350
Other operating expenses		-11.943	0
Profit/loss before financial income and expenses		-10.737.927	-1.166.038
Financial income		0	412.278
Financial expenses	3	-215.404	-2.172.388
Profit/loss before tax		-10.953.331	-2.926.148
Tax on profit/loss for the year	4	2.388.877	256.433
Net profit/loss for the year		-8.564.454	-2.669.715

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	36.150.000	0
Retained earnings	-44.714.454	-2.669.715
	-8.564.454	-2.669.715

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Development projects in progress		2.275.554	0
Intangible assets	5	2.275.554	0
Other fixtures and fittings, tools and equipment		0	9.984
Property, plant and equipment		0	9.984
Deposits		0	158.804
Fixed asset investments		0	158.804
Fixed assets		2.275.554	168.788
Trade receivables		611.922	1.647.254
Other receivables		431.935	430.030
Deferred tax asset		2.329.924	420.000
Corporation tax		500.621	21.668
Prepayments		754.112	515.815
Receivables		4.628.514	3.034.767
Cash at bank and in hand		1.587.998	42.552.346
Currents assets		6.216.512	45.587.113
Assets		8.492.066	45.755.901

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		2.507.900	2.507.900
Reserve for development costs		1.774.932	0
Other reserves		0	-3.278.858
Retained earnings		-3.828.642	41.160.744
Equity		454.190	40.389.786
Trade payables		5.875.750	3.237.650
Payables to group enterprises		1.243.055	0
Other payables		919.071	2.128.465
Short-term debt		8.037.876	5.366.115
Debt		8.037.876	5.366.115
Liabilities and equity		8.492.066	45.755.901
Contingent assets, liabilities and other financial obligations	6		
Accounting Policies	7		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	2.507.900	0	-3.278.858	41.160.744	40.389.786
Extraordinary dividend paid	0	0	0	-36.150.000	-36.150.000
Other equity movements	0	0	0	1.500.000	1.500.000
Transfers, reserves	0	0	3.278.858	0	3.278.858
Development costs for the year	0	1.774.932	0	-1.774.932	0
Net profit/loss for the year	0	0	0	-8.564.454	-8.564.454
Equity at 31 December	2.507.900	1.774.932	0	-3.828.642	454.190

Notes to the Financial Statements

	2018	2017
	DKK	DKK
1 Staff expenses		
Wages and salaries	5.286.286	4.832.713
Pensions	125.951	248.781
Other social security expenses	59.448	71.619
Other staff expenses	54.598	47.394
	5.526.283	5.200.507
Average number of employees	3	5
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	9.984	24.350
	9.984	24.350
3 Financial expenses		
Interest paid to group enterprises	12.762	0
Other financial expenses	16.333	8.393
Exchange adjustments, expenses	186.309	2.163.995
	215.404	2.172.388
4 Tax on profit/loss for the year		
Current tax for the year	-500.622	10.567
Deferred tax for the year	-1.909.924	-267.000
Adjustment of tax concerning previous years	21.669	0
	-2.388.877	-256.433

Notes to the Financial Statements

5 Intangible assets

	Development projects in progress DKK
Cost at 1 January	0
Additions for the year	<u>2.275.554</u>
Cost at 31 December	<u>2.275.554</u>
Carrying amount at 31 December	<u>2.275.554</u>

During the year, the Company commenced material development projects with a view to expanding the Eurogiro activities within transactions through the postal network as well as the development of a financial supermarket as a platform for financial services to post offices and postal organisations throughout the world.

The capitalised development costs are attributable to the development of the financial supermarket as well as new modules for the Company's new platform.

	<u>2018</u> DKK	<u>2017</u> DKK
6 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations	<u>11.957.521</u>	<u>3.303.500</u>

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Inpay Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Eurogiro A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

7 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of services is recognised in the income statement as the part of sales that relates to services delivered in the financial year.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

7 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with its Parent Company and the Danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Completed development projects are measured at cost less accumulated amortisation. Completed development projects are amortised on a straightline basis over their useful lives, assessed at 3 - 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3	years
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Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Notes to the Financial Statements

7 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of deposit.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.