Nets A/S

Annual Report 2021

Adopted at the Annual General Meeting
on 24 March 2022

Nets A/S
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Louise Rubæk Andersen
Chair of the meeting

Financial Summary*

EURm	2021	2020	2019	2018	2017
Income statement					
Revenue, net	800.2	720.4	747.3	731.7	1,037.7
EBITDA before special items	329.3	275.2	295.0	266.0	380.9
EBITDA	238.2	142.1	198.0	147.2	346.8
Special items	(91.1)	(133.1)	(97.0)	(82.8)	(25.0)
Special items - costs related to takeover offer and delisting	-	-	-	(36.0)	(9.1)
Adjusted EBIT	211.9	175.7	215.7	197.8	322.3
EBIT	59.8	(15.7)	56.6	14.9	201.7
Result from continuing operations	(73.7)	6.4	(28.1)	(31.7)	163.6
Result from discontinuing operations	1,739.4	61.5	60.3	72.9	-
Financial position					
Total assets	3,487.0	4,470.0	4,037.7	3,836.3	4,062.7
Goodwill	1,714.2	1,691.4	1,360.8	1,946.9	1,959.9
Clearing-related balances, net	(243.5)	(115.7)	(103.2)	55.1	(80.9)
Own cash	114.9	65.4	32.0	99.0	18.8
Net interest-bearing debt	1,014.2	1,366.9	994.5	909.7	1,021.1
Equity	1,035.3	1,386.1	1,522.6	1,462.5	1,430.7
Cash flow					
Net cash from operating activities excl. clearing related balances	(39.4)	180.8	210.9	191.9	270.7
Change in clearing related balances	127.8	11.7	109.7	(136.0)	(7.5)
Net cash from investing activities	2,276.5	(528.4)	(216.9)	(87.0)	(151.0)
Net cash from financing activities	(2,190.8)	390.2	(15.2)	(5.2)	(236.2)
Net cash flow for the year	174.1	54.3	88.5	(36.3)	(124.0)
Net change in own cash	49.5	33.4	(67.0)	80.4	(75.6)
Operating free cash flow	37.2	82.0	76.9	62.2	232.2

EURm	2021	2020	2019	2018	2017
Growth in revenue, net					
Reported	11.0%	(3.6%)	2.1%	(1.8%)	4.6%
Underlying	5.6%	2.7%	N/A	N/A	N/A
Capital structure					
Net interest-bearing debt/EBITDA before special items	3.1x	5.0x	3.4x	3.4x	2.7x
Other ratios					
EBITDA before special items margin	41.2%	38.2%	39.5%	36.4%	36.7%
Capital expenditure/Revenue	19.6%	24.9%	14.9%	12.0%	8.6%
Capitalised development costs (EBITDA before special items impact)/Revenue)	9.8%	7.4%	7.0%	6.5%	4.1%
Cash conversion ratio	52.0%	63%	66%	70%	70%
Equity ratio	29.7%	31.0%	37.7%	38.1%	35.2%
Year-end number of employees, full time equivalant	2,983	2,902	2,460	2,179	2,454

* For 2018 income statement numbers have been re-stated as the Group´s account-to-account payment business is presented as discontinuing operations. In the income statement result after tax from discontinuing operations is presented in a separate line with comparison numbers. In 2019 and 2020 also assets and liabilities related to discontinuing operations are presented in separate lines as held-for-sale. Net cash flow from discontinuing operations is presented in a Note to the financial statements. Figures from 2016-2017 have not been restated.

Performance highlights

2021 was a transformational year in the Nets story, as we took another major step towards becoming a European PayTech leader by closing the merger of Nets with the Italy-based Nexi Group, on 1 July.

The completion of the deal also triggered a change of leadership for Nets, as former CEO Bo Nilsson was named Chairman of Nets and became a member of the Nexi Group Board of Directors. He was succeeded as Nets CEO by Klaus Pedersen, who had previously been CFO.

The strength of the combined group was further boosted after year-end, when the additional merger with SIA – headquartered in Italy – was also concluded.

With a total annual revenue of approximately €2.9 billion and around €1.5 billion in EBITDA*, the combined group brings together a unique array of capabilities, as well as a wider distribution network and a broader product offering than any of the constituent companies alone. This positions the group well to drive growth not least in the fast-growing and underpenetrated regions of Europe where Nets has a significant presence – for example, Germany, Austria, Switzerland, Poland and central-southern eastern Europe.

Separately, in March, Nets completed the sale of its account-to-account services business to Mastercard, following the successful conclusion of the remedy taker approval process stipulated by the European Commission in August 2020.

Throughout 2021, COVID-19 continued to impact society, which affected Nets' business by suppressing overall volumes while, at the same time, accelerating changes in consumer behaviour away from cash and towards digital payment solutions. The pandemic also boosted e-commerce transactions, which continued to surge as consumers turned to internet stores in place of physical shops. In our Merchant Services business, this was clearly seen via an increased uptake of Nets Easy, our e-commerce payment solution, which saw substantial volume growth, and an increase in uptake of 'buy-now-pay-later' online purchases.

Our Issuer & eSecurity business continued its track record of success in winning new customers, including Germany's Degussa Bank, which became our first issuing customer in the country after selecting Nets to provide a comprehensive suite of digital card services. There were also new customer agreements in Poland, the Baltic countries and the United Kingdom, while in the Nordics, Nets secured an agreement with Danske Bank to bring its domestic card scheme, Dankort, to Apple Pay, and prolonged its long-term partnership with Nordea in both Denmark and Finland.

In October, Denmark's new electronic identification (eID) solution, MitID, received a full public launch. Nets has been the principal developer of MitID, under contract to the Danish government's Agency for Digitisation and the Danish Banking Association.

All of this progress took place against the backdrop of an industry that continues to evolve, and the three-way merger of Nets with Nexi and SIA is just one example of the pace and scale of this change. If there is one clear conclusion to be drawn from 2021, it is that Nets enters 2022 better placed than ever to meet the challenges and opportunities it faces, and that, thanks to a year of transformation, it faces the future as a leading player in European payments.

* Pro-forma aggregated figures for 2021 including run-rate synergies.

You can read more about overall Nexi Group performance and highlights in the Nexi Group's Annual Report, which can be found on the Nexi Group's website.

REVENUE

In 2021, net revenue was EUR 800.2 million, up 11.0% compared to 2020.

Merchant Services delivered strong reported growth of 23%, mainly driven by growth in eCommerce business following
(i) very strong merchant and revenue growth of Easy next-gen collecting one-click PSP proposition in the Nordics
(ii) strong growth in attractive Poland eCom and SME driven by market share expansion on the back of successful P24/DotPay/eCard/Polskie ePlatnosci (PeP Group) integration.

Revenue in the SME area, showed strong resilience with modest volume impact from COVID-19 and strong Q3/4 rebound. SME Poland continued strong volume and revenue growth despite base volumes negatively affected by COVID-19 lockdowns.
LAKA revenue continued declining due to COVID-19 impacting volumes within travel, transport and hospitality slightly offset by volume increases in supermarkets. As a result, underlying growth increased 8.1% in 2021.

Issuer & eSecurity Services underlying growth was 1.6% following a robust growth in Digital business experiencing volume and fee expansion, offset by a decline in Issuer business on the back of COVID-19 related volume drop.

Performance highlights (continued)

The Group will continue to strengthen the commercialization of the business with a clearcut focus on driving commercial and product excellence to create an easier tomorrow for our customers and their customers.

OPERATING EXPENSES

Total operating expenses were EUR 470.9 million compared to EUR 445.2 million in 2020, an increase of 5.8%. The total cost to net revenue decreased by 3 percentage point to 58.8% from 61.8% in 2020.

Cost of sales was EUR 53.9 million (6.7% of net revenue), compared to EUR 40.7 million in 2020. The increase was mainly driven by a full year with Polskie ePlatnosci (PeP Group) and 8 months of Checkout Finland OY, and higher activity in the eSecurity & Digitisation business.

External expenses amounted to EUR 185.6 million (23.2% of net revenue) compared to EUR 180.2 million in 2020 (25.0% of net revenue), the increase compared to 2020, was driven by a full year of PeP offset by continued implementation of cost saving and transformation initiatives.

Staff costs amounted to EUR 231.4 million (28.9% of net revenue) compared to EUR 224.3 million in 2020 (31.1% of net revenue). The increase in staff costs was primarily driven by a full year impact of PeP Group in 2021. Nets had 2,983 FTEs (full-time equivalent) by the end of 2021, which is 81 more than in 2020.
The increase was offset by 68 FTE as a result of savings and transformation initiatives improving the Group's competitiveness.

EBITDA B.S.I.

In 2021, EBITDA b.s.i. increased by 19.7% to EUR 329.3 million, compared to EUR 275.2 million in 2020. The increase in EBITDA b.s.i. reflects a 2021 where markets started to recover from the unprecedented decline in volume and net revenue following the COVID-19 lockdowns in 2020.

SPECIAL ITEMS

In 2021, special items amounted to EUR 91.1 million, a decrease of EUR 42 million compared to 2020. In 2021, investment in transformation programs continued and amounted to EUR 35.5 million (2020: EUR 41.6 million). Costs associated with business setups, acquisitions and disposals amounted to EUR 2.6 million (2020: EUR 33.7 million) and costs related to reorganization, restructuring and refurbishment was EUR 12.6 million (2020: EUR 24.4 million). Cost arising from Share based payments, retention programmes, one-off losses, etc. amounted to EUR 40.4 million (in 2020: EUR 33.4 million) and primarily included Nets Group costs of share based payments and other retention based bonus schemes and losses related to one implementation project.

EBITDA

In 2021 EBITDA amounted to EUR 238.2 million, compared to EUR 142.1 million in 2020.

DEPRECIATION AND AMORTISATION

In 2021, underlying depreciation and amortisation were EUR 117.4 million, up from EUR 99.5 million in 2020. The increase of EUR 17.9 million was primarily due to completed software development, investments in tangibles and full year impact from recent acquisitions.

Amortisation of business combination and impairment losses amounted to EUR 61.0 million compared to EUR 58.3 million in 2020.

ADJUSTED EBIT

Adjusted EBIT calculated as EBITDA b.s.i. minus underlying depreciation and amortisation was EUR 211.9 million, compared to EUR 175.7 million in 2020.

NET FINANCIALS

Net financials were an expense of EUR 131.3 million, compared to an income of EUR 6.0 million in 2020. Net financials were negatively impacted by foreign exchange adjustment of EUR 60.7 million driven by debt position in NOK. In 2020 foreign exchange adjustment was a gain of EUR 52.3 millio. Settlement of derivatives resulted in a loss of EUR 7.7 million, whereas in 2020 the settlement resulted in a gain of EUR 12.2 million.

TAX

In 2021, taxes amounted to an expense of EUR 2.2 million compared to an income of EUR 16.3 million in 2020, equivalent to an effective tax rate of -3.1% in 2021 (124.5% in 2020). The tax expense and the effective tax rate for 2021 was negatively impacted by non-deductible costs, currency translations and tax assets not recognized. Taxes paid was EUR 192.3 million, driven by the sale of the Account-to-Account business.

RESULT FROM DISCONTINUING OPERATIONS

Result from discontinuing operations in 2021 was EUR 1,739.4 million (2020: EUR 61.5 million). The increase of EUR 1,677.9 million was related to the gain from the closing of the sale of the Nets Group's Account-to-Account business to Mastercard.

RESULT FOR THE YEAR

Result for the year was EUR 1,665.7 million, compared to EUR 68.1 million in 2020. The result for 2021 was primarely impacted by gain from sale of the Nets Group Account-to-Account business, previously included in the business unit Corporate Services, to Mastercard as well as the recovering from the unprecedented decline in volume and net revenue following the COVID-19 lockdowns in 2020.

Performance highlights (continued)

BALANCE SHEET AND CASH FLOW

Total assets at 31 December 2021, amounted to EUR 3,487.0 million, compared to EUR 4,470.0 million at year-end 2020.

Total non-current assets amounted to EUR 2,413.6 million compared to EUR 2,399.0 million at year-end 2020, impacted by increase in Goodwill and Other intangibles, related to acquisitions.

Total current assets amounted to EUR 1,073.4 million, compared to EUR 2,071.0 million at year-end 2020, impacted by the disposal of asset eld-for-sale, following the close of sale of the Accounts-to-Accounts business to Mastercard.

CLEARING WORKING CAPITAL

At 31 December 2021, clearing-related assets (clearing debtors) amounted to EUR 485.2 million and clearing-related liabilities amounted to EUR 728.7 million, leading to a clearing working capital (CWC) of negative EUR 243.5 million (positive funding).

EQUITY

Total equity was EUR 1,035.3 million compared to EUR 1,386.1 million at the beginning of the year. Equity was positively impacted by the profit for the year, used for dividends distribution of EUR 2,043.5 EUR, to parent companies, in order to settle external debt facilities.

BORROWINGS & INTEREST-BEARING LOANS TO SHAREHOLDERS

As of 31 December 2021, borrowings amounted to EUR 1,127.6 million, compared to EUR 1,423.2 million end-2020. Borrowings decreased following refinancing of debt, using proceeds from the sale of the account-to-account activities, which impacted the leverage of the Group positively.

CASH FLOW

In 2021, net cash flow from operating activities, excluding clearing working capital, was negative by EUR 39.4 million, compared to EUR 180.8 million in 2020. The operating cash flow was negatively impacted by Taxes paid, in total EUR 192.3 million, following the 2020 demerger of the accounts-to-accounts activities and lower result from discontinued operations.
Working Capital was negative EUR 43.9 million compared to a positive movement of EUR 38.1 milion in 2020. The main driver was lower special items payables at year-end.

Cash flow from investments was positive by EUR 2,276.5 million compared to negative EUR 528.4 million in 2020. Impact from the close of the sale of the Account-to-account activities was EUR 2,790.4 million.

Acquisitions amounted to EUR 356.8 million, and primarily related to purchase of outstanding shares from Polish P24-Dotcard minority shareholder, EUR 317.4 million and partly from acquisition of Finland Ecommerce company, Checkout, EUR 36.4 million.

Investments in development projects and other intangibles amounted to EUR 134.7 million (2020: EUR 163.9 million), including new card processing platform in Issuer and eSecurity Services and a number of new payment solutions within the Merchant Service business.

Net cash outflow from financing activities in 2021, excluding clearing-related balances, amounted to EUR 2,190.8 million, and primarily included dividends distributed of total 2,043.8 and repayment of external borrowings and shareholder loans of net. EUR 121.4 million.

Settelement of derivatives contributed negatively with EUR 8.7 million. Repayment of finance lease liabilities amounted to EUR 16.9 million (2020: EUR 19.1 million).

Cash and cash equivalents as 31 December 2021 was 358.4 million compared to EUR 189.7 million in 2020.

OUTLOOK 2022

In 2021, we saw again that the COVID-19 pandemic made a significant impact on the payments industry in midst of cancellations, restrictions and lockdowns causing a lower level in the number of payment transactions performed. Nets expects a year with higher revenue and increasing operating result margins compared to 2021.

Nets will continue to streamline operations and processes and invest in innovative solutions with an ambition to create value for our customers, partners and shareholders, and deliver on stability, security and integrity to build the future of Nets.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events affecting the Annual Report for 2021 have occurred subsequently to 31 December 2021.

Business model: For an easier tomorrow

We create value for our customers by delivering digital payments and related services that are used by more than 700,000 merchant outlets and more than 250 banks and other issuers of payment cards in Europe, allowing our customers to service millions of European consumers. We see easier products and solutions as the foundation for growth and progress – both in commerce and in society.

Whether it's for buying groceries, shopping safely on mobiles, or dealing with public authorities, online services offer greater convenience and free up time for everyone who uses them.

Nets' products and services are integrated parts of everyday life for many European banks, businesses and consumers. We provide a secure and frictionless payment experience, among other facilities, to our customers and their end users. Yet the reality behind this seemingly simple exchange of services is a complex web of processes initiated by a digital transaction such as a payment or an authentication.

This means that we invest in, maintain and operate a considerable number of payment platforms in Europe, domestic debit card schemes in Denmark and Norway, and e-identity solutions. Security, stability and high performance are thus top priorities for our business.

As one of the largest digital payment service providers in Europe, Nets operates a deeply interconnected network which links merchants, financial institutions, public services and consumers, enabling them to make and receive payments, identify themselves, and use value-added services based on data and analytics.

Nets offers several digital payment services. We enable digital payments across major channels – in brick-and-mortar stores, e-commerce and via mobile devices. We offer merchant acquiring solutions, point-of-sale (POS) terminals and e-commerce directly to merchants across Europe, while other services such as payments processing are offered in close co-operation with financial institutions, while the Danish national e-identity scheme NemID and its successor MitID are offered in close co-operation with public authorities and the banking community. In Denmark, we own the national debit card system, Dankort, while in Norway, we process BankAxept card services on behalf of, and in close co-operation with, our customers.

We have centred our activities around two distinct business units – Merchant Services and Issuer & eSecurity Services – and, thanks to becoming a part of the Nexi Group, we now have access to more European countries than ever before, with an enhanced exposure to the high growth segments of e-commerce and merchant services for small-to-medium-sized enterprises (SMEs). We are also present in the high growth areas of Poland and German-speaking Europe, where digital means of payments are rapidly replacing cash.

MERCHANT SERVICES

Merchant Services provides our merchant customers with payment acceptance solutions across channels (in-store, online and mobile) and with the broadest range of payment methods and brands in Europe, including Visa, MasterCard, JCB, Diners, Discover, American Express, Union Pay, AliPay, Apple Pay, Google Pay, Samsung Pay and local payment brands. In recent years, Merchant Services has presented strong growth based on solid organic growth rates and targeted acquisitions in the under-penetrated German-speaking region of Europe, and Poland, with a particular focus on the high growth e-commerce space and the SME segment.

Merchant Services manages and simplifies merchants' payment flows. We enable merchants to accept payments easily and without friction, regardless of channel, to receive the settlement in their bank account, and to get detailed reconciliation information and statistics, all in different currencies and frequencies depending on the merchants' needs and their customers' preferences. In Poland we enable merchants to accept local payment methods such as 'pay-by-link' bank payments and BLIK mobile payments. In the Nordic countries, Nets 360 offers a smooth omnichannel shopping experience by connecting all touchpoints, centred around the customer's preferred payment methods, while NetsPay 2.0 provides the SME segment with a flexible solution combining core and individually selected, value-added services.

We also offer merchants value-added services for electronic receipts and loyalty solutions, all with a simple and fast setup. Furthermore, in Denmark, we own and operate Dankort, the domestic debit card system. Acquiring revenue is primarily driven by transaction fees. Terminal revenues are primarily monthly subscription fees for POS terminals or revenues from sold POS devices. Our e-commerce business generates both transaction fees and monthly fees, while the revenue model for Dankort is primarily transaction-based.

ISSUER & ESECURITY SERVICES

Issuer & eSecurity Services provides payment processing services and value-added services for issuers of payment cards (primarily banks) as well as e-security and digitisation services for the private and public sectors.

Business model: For an easier tomorrow (continued)

The issuer services include a complete end-to-end service and the full life-cycle management of cards from both international and domestic card schemes. Besides being a card processor for issuers in Europe, Issuer & eSecurity Services offers complementary services such as Account Management Services (AMS), Risk Management Services (Fraud & Dispute Solutions) and Data & Analytics. The business also processes the domestic debit card systems in Denmark and Norway, Dankort and BankAxept, respectively.

The e-security and digitisation services include delivery of e-security solutions, mainly through Denmark's NemID system, and its recently launched successor MitID, as well as digitisation services that enable customers to simplify workflows and processes, thereby supporting customers in their digital transformation.

The revenue model for Issuer & eSecurity Services is primarily transaction-based, combined with additional volume-related fees for additional services.

Risk management

Risk management is an integral part of the way we work and helps us understand and manage the uncertainties inherent in our strategy and in the day-to-day business operations

Nets operates in the payments industry, which is characterised by constant technological advances, evolving customer behaviour and altering regulatory requirements, and where prudent risk management is vital to support the achievement of business objectives. At Nets, risk management is anchored throughout the organisation to support management awareness and oversight, enabling risk-based decisions. Nets maintains an enterprise risk landscape that is discussed with business units and group functions, in order to provide risk insights to executive management.

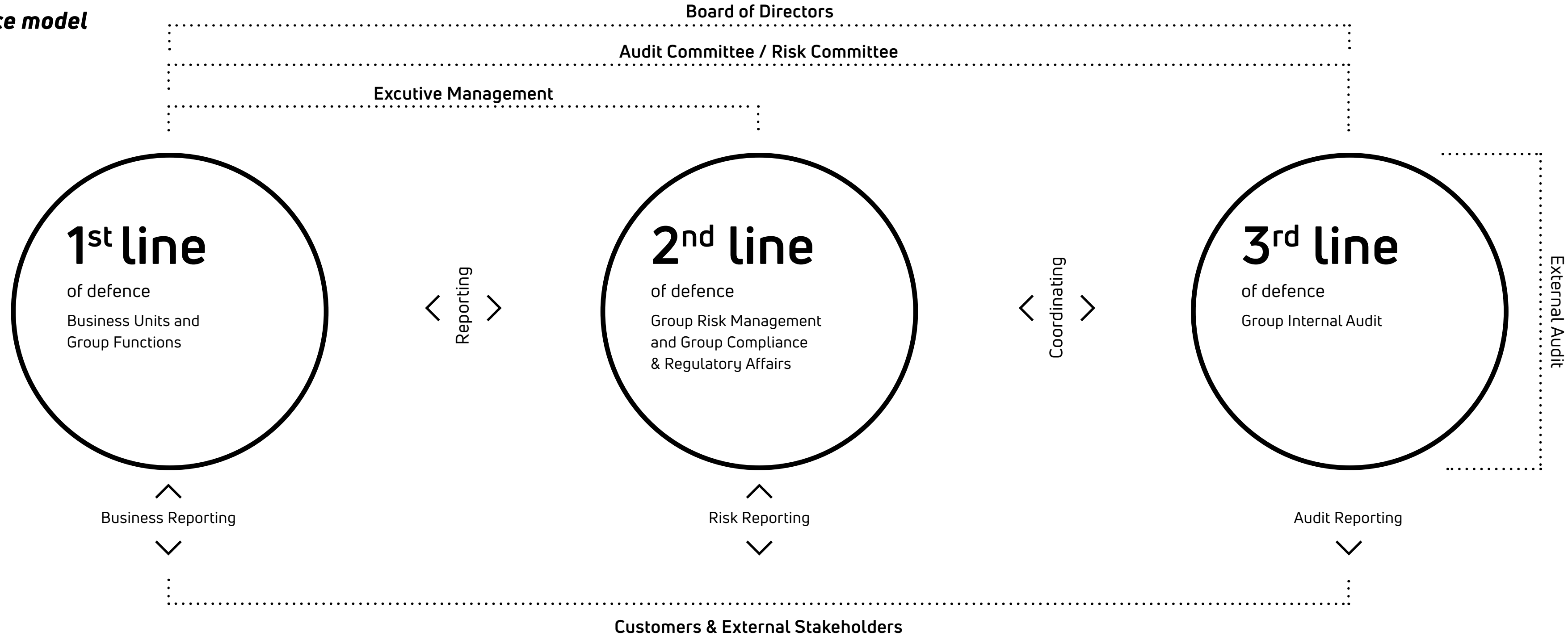
This section describes Nets' key risks in relation to achieving business objectives. Financial risks are described under Financial Statements, sections 2, 3 and 5.

RISK GOVERNANCE

The Board of Directors is responsible for the overall governance, defining guidelines for the risk management governance and system, as well as approving strategies and policies. The Board of Directors also oversees the enterprise risk landscape and compliance with board approved policy objectives.

The organisation adopts a 'three lines of defence' governance model. It is used to structure roles, responsibilities and accountabilities concerning risk and internal controls.

Governance model



FIRST LINE OF DEFENCE
–Identify, assess and manage risks
The business units and Nets group functions form the first line of defence and perform the day to-day risk-bearing activities. They are responsible for identifying, evaluating, mitigating, monitoring and reporting the risks within those activities in accordance with the risk management processes and applicable internal procedures.

SECOND LINE OF DEFENCE
– Oversight, control and compliance
Nets Group Risk Management, Nets Group Security, IT Risk & Compliance and Nets Group Compliance & Regulatory constitute the second line of defence and act independently of the activities they control. They provide oversight and compliance by setting requirements through policies, and support the implementation and monitoring hereof through frameworks, tools, processes and control activities, enabling risk and compliance management.

THIRD LINE OF DEFENCE
– Independent assurance
Nets Group Internal Audit and external auditors form the third line of defence. The third line provides independent assurance concerning the risk and control functions performed by the first and second lines of defence.

Key risks

Executive Management reviews, discusses, challenges and provides feedback on the enterprise risk landscape and, when necessary, direct risk mitigating actions. Listed below is a high-level summary of risks across Nets. The risks are not listed in any particular order of priority and only contain example mitigations.

INDUSTRY AND MARKET TRANSFORMATION

Description

The market transformation from cash to digital payments is impacting consumer behaviour. The underlying market development is driven by technological evolution, regulatory changes and new market participants, such as innovative independent software vendors. This trend is accelerated by the COVID-19 pandemic where digital payments are preferred over cash. The payments eco-system is, as a result, developing at a high pace and market participants must evolve with it if they want to claim part of the underlying market growth.

Potential impact

Failing to adapt to the changing industry and market dynamics can lead to loss of business and may have an impact on our reputation.

Examples of main mitigants

- Strengthening our ability to understand changing customer needs and proactively address demand for new products and services.
- Strengthening of the European value proposition to better serve merchants and banks.
- Consolidating our technological landscape to increase customer experience, scalability and cost efficiency.

INFORMATION SECURITY AND OPERATIONAL STABILITY

Description

Every day, Nets processes and stores large amounts of data related to the processing of financial transactions and digital authentication schemes, connecting merchants, financial institutions, corporate customers, and consumers, and enabling them to make and receive digital payments and verify identities. Due to the high value and sensitive nature of such information assets, and the systemic importance to several national financial infrastructures, Nets faces a range of threats from different threat agents such as hacktivists, organised crime, and nation states. Relevant security threats include social engineering such as phishing and spear-phishing, hacking, distributed denial-of-service (DDoS) or supply chain attacks, as well as system malware or ransomware attacks.

Equally important is the stability of those platforms as they are critical for broader society as well as for our customers, government organisations and authorities. Potential risk causes include insufficient application deployment and testing processes, incident management issues, failing infrastructure components or data centre transitions.

Potential impact

At worst, the above-mentioned threats could impact the availability of services and lead to system downtimes, compromise of critical IT systems, potential breach of confidential information, or misuse of payment information. Similarly, the loss or otherwise unauthorised or accidental disclosure of personal customer information or other sensitive information could result in regulatory or legal sanctions and/or fines, remediation costs, loss of revenue, and reputational impact, weakening our corporate brand.

Examples of main mitigants

- Strong security culture and continuous awareness campaigns towards all employees and contractors, including regular iLearn portal training covering aspects of security, intranet articles, the Nets Security Academy and simulated phishing e-mail campaigns.
- Protection measures, such as a multi-layered security architecture, including intrusion prevention and detection, advanced end-point protection, privileged identity management, network segmentation, encryption of data, etc.
- Comprehensive detection capabilities through security logging, monitoring, alerting and dashboards.
- Service risk assessments and business impact analyses, ensuring service maturity and resilience.
- Business continuity and disaster-recovery governance, and regular testing of core components (crisis management, platform disaster recovery plans, physical security, etc.).
- Well established handling of prioritised security incidents at Nets, including data breach management and communication processes.

MERCHANT ACQUIRING CREDIT RISK

Description

Nets is selling acquiring services to merchants, who receive immediate payment as well as pre-payments for their goods and services. In case the merchant is not able or willing to deliver the prepaid goods or services to their customers due to, e.g., insolvency or fraud, the customer's bank will charge-back the amount from Nets who will claim the amount from the merchant. If this proves unsuccessful, Nets will bear the loss.

Key risks (continued)

Potential impact
Financial losses from charge-backs that cannot be transferred to a merchant due to merchant bankruptcy.

Examples of main mitigants
- Strong contractual terms and conditions that provide deferral, collateral information, and termination rights.
- Pre-funding of refunds, bank guarantees, deposits in pledged bank accounts.
- Continuous credit risk monitoring and established escalation triggers towards top management.

COVID-19

Description
The COVID-19 pandemic continues to have an impact across the world, resulting in regional and national restrictions for periods of time which negatively impact society and businesses. Below are the main areas in Nets that are impacted:

Revenue – The payments industry generates revenue from transaction volumes. COVID-19 restrictions reduce the amount of payments thereby negatively impacting transaction volumes and thus revenue.

Merchant acquiring credit risk exposure – COVID-19 restrictions especially impact the prepayments segment, e.g., airlines, travel, lodging, etc. which is part of Nets' merchants portfolio.

Business continuity – New surges in the pandemic require workplace adaptability to address concerns for personal safety, governmental working from home instructions, as well as the need to continue secure and stable business operations.

Potential impact
Regional and national restrictions can lead to decreasing transaction volumes, thus lowering revenues. Furthermore, it may burden merchants which ultimately may lead to merchant insolvencies resulting in financial losses.

Examples of main mitigants
- Crisis management via a cross-functional task force (CMT) monitoring and managing Nets' responses to the pandemic, first through daily and later weekly meetings. The CMT continuously monitors and reports on the situation and assesses the need for further mitigations, regularly updating and advising Executive Management on mitigation initiatives.
- We have proven an ability to work remotely to a high degree, giving us the flexibility to accommodate concerns for personnel safety and business continuity.
- For all major IT services and IT systems, measures are in place to ensure robust and stable operations, including for all critical activities and associated teams.
- The potential risk from merchant defaults, particularly in the travel industry, is significantly mitigated through several measures including, but not limited to, pre-funding, guarantees and termination rights.

REGULATORY ENVIRONMENT

Description
Nets is subject to laws and regulations in the different jurisdictions in which it operates. The European Payment Services Directive (PSD2), General Data Protection Regulation (GDPR), Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) and Outsourcing legislation are examples of requirements where Nets is investing time and resources to maintain its adherence across the company.

Potential impact
A lack of regulatory compliance may potentially result in recommendations and fines from local regulators or central banks. In addition, Nets may suffer reputational damage in the case of data breaches, facilitation of money laundering, late implementation of new regulatory requirements, etc.

Examples of main mitigants
- Policies and frameworks in key regulatory areas PSD2, GDPR, AML/CTF and Outsourcing.
- Data Protection Officer (DPO) function to support and coordinate the GDPR second-line responsibilities and the DPOs across Nets.
- Compliance reporting to Executive Management and continuous monitoring of AML/CTF, PSD2 and GDPR.

Corporate governance

MANAGEMENT STRUCTURE

Nets A/S is a company within the overall holding company structure of the Nets Group (Nets Group ultimately being owned by Nexi SpA), with a Board of Directors consisting of relevant management representatives.

The Board of Directors of Nets A/S consists of three members elected by the General Meeting. According to the Articles of Association, the Board of Directors must consist of at least three, and not more than eight, members elected by the General Meeting. Each member is elected for a one-year term, and members may be re-elected.

The Executive Management of Nets A/S consists of the CEO. According to the Articles of Association, the Executive Management must consist of one to three members.

The Executive Committee of the Nets Group is responsible for overseeing the daily operation of the Nets Group and consists of seven members.

Corporate Social Responsibility

CORPORATE SOCIAL RESPONSIBILITY

This statutory statement on corporate social responsibility (CSR) – cf. sections 99a, 99b and 99d of the Danish Financial Statements Act – covers the financial period from 1 January to 31 December 2021.

CSR AT NETS

At Nets we recognise the environmental, social and governance (ESG) impacts Nets has on society and the contributions we make through our work in digitisation in the countries where we operate. As a signatory to the UN Global Compact, we are committed to implementing the international principles for responsible business conduct in our CSR policy and associated policies.

Our impacts stem from increasing digital payments, running services related to digital identities, digitisation paper-based processes, and ensuring that modern societies function in a safe and efficient manner within the broader area of digital payments, for the benefit of citizens and businesses alike.

Our CSR framework is based on three strategic pillars:

1. Driving digitisation' is based on our commitment to provide easy and secure payment solutions for all.
2. Responsible operations' is based on our commitment to ensuring responsible business conduct throughout our value chain.
3. Responsible employer' is based on our commitment to respect human rights and the well-being and development of our employees.

Important CSR achievements

In 2021, key activities and achievements included, but were not limited to:

- Developed and launched a climate-action product for cardholders and banks
- Committed, as part of Nexi Group, to becoming 'net zero' by 2040
- Launched the Diversity and Inclusion Board and intranet platform on diversity
- Adopted and rolled out 'Hybrid Ways of Working' guidelines

DRIVING DIGITISATION IN A RESPONSIBLE MANNER

We are committed to delivering digital solutions that drive the development towards a digitised, paperless, and cashless society, contributing to a significant reduction of negative social, economic, and environmental impacts in society. We want to ensure that the digitisation of society is based on services and products that bring social, environmental, and economic benefits to society, businesses, and end-users.

Corporate Social Responsibility (continued)

CSR framework

Responding to challenging times
As the COVID-19 pandemic continued to challenge, with lockdowns affecting shops, shopping centres and large parts of society in many countries, it also further fuelled the transition towards a digital and cashless society. In 2021 we continued to our work on cash-to-card conversion and e-commerce growth, and contributed to the digital transformation of Europe by providing our innovative, stable and secure processing, e-security and digitisation services for the private and the public sectors, to support our customers and end-users on their further digital journey.

We continued our efforts from last year where we provided valuable payment data insights to public authorities and decision makers, which allowed them to compare infection rates with levels of economic activity, and to make sound decisions with regard to the reinforcement or lifting of restrictions.

Security and stability
In 2021, we continued our initiatives on fraud prevention and maintained our focus on measures that allow customers and end-users to make secure payments. We do this by combining analysts' experience and machine learning to build strong, predictive algorithms for detecting fraudulent behaviour. Our enhancements in fraud detection in 2021 further increased our detection rates and helped us identify new ways to prevent authentication fraud (3DS fraud). While overall fraud decreased during the year, 3DS fraud actually increased in the period immediately ahead of the implementation of the strong customer authentication (SCA) legislation. In 2021, we collaborated more closely with the banks and showed them how we can better prevent fraud. In addition, two-factor authentication for e-commerce, contactless (pin-less) transactions at the point-of-sale (POS), and collaborations with the police, have all contributed positively to reducing fraud and reinforcing confidence in digital payments.

Data ethics
For Nets, the right to privacy is a fundamental human right. As a result, we put great effort into ensuring we comply with data protection laws and regulations. Since 2020, the ethical use of data has been a formal part of our policy framework in addition to our existing guidelines and policies on data privacy and data security.

Advanced data use can bring significant progress to our society, but we acknowledge that the ethical handling of data may go beyond what is regulated by law, especially in the fast-paced development of digital solutions. That's why, as part of our commitment to enacting technical and organisational solutions for digitisation our society, we have included a stipulation that we incorporate support for responsible data processing into our progress and solutions.

Corporate Social Responsibility (continued)

In practice, data ethics and the work we do with data protection are very closely connected, as we apply some of the core principles from the data protection framework in the data ethics field. The way we work with data ethics is to ensure that the requirements on 'fairness', 'transparency' and 'accountability' are effectively considered and documented for all processing operations. Furthermore, risk assessments carried out in the form of Data Protection Impact Assessments look into, and consider, risks to the rights and freedoms of data subjects. This ensures that Nets can assess both the risks and ethical concerns of our processing activities and their impacts.

RESPONSIBLE OPERATIONS

We aim to run our business in an environmentally conscious manner and are committed to reducing the impact we have on the environment, by setting reduction targets for our operations and working with our business partners and suppliers to ensure environmentally-friendly business solutions across the value chain.

Climate and environment

We strive to be a responsible service provider and partner with a focus on the environmental dimension of our services wherever possible. Our commitment to the environment has so far been based on initiatives to reduce travel, waste and paper use, and introducing more energy efficient solutions. In late-2021, Nets committed as part of the Nexi Group to become 'net zero' by 2040. We are now in the process of consolidating Nets' environmental data with data from the wider Nexi Group, and will resubmit new, combined CO2 reduction targets for Scopes 1, 2 and 3 of the Greenhouse Gas Protocol to the Science Based Target Initiative. For the purposes of this report, we have provided an overview of our data in all three scopes, in the table to the left.

In 2021, we also launched the Nets Climate Action Service, which is a carbon offset solution designed to provide cardholders with climate-related insights into their consumption, and to empower them and their issuers to proactively engage in the fight against climate impact resulting from their personal consumption.

Responsible sourcing

It is important for Nets to have responsible supplier relationships and to have a dialogue with our suppliers about our requirements in this field. We therefore have a Supplier Code of Conduct, which outlines our commitments to human and labour rights and environmental and ethical standards.

In 2021, we continued the roll-out of the supplier sustainability self-assessment for all new suppliers and for contract renewals, in order to strengthen the due diligence process. We also, as part of our procurement process, strengthened the internal guidelines for assessing suppliers' own codes of conduct, and the dialogue with them about our own Code of Conduct, to ensure our suppliers know what our requirements are, and commit to promoting responsible sourcing within their supply chains. We will in 2022 review our approach on human rights due diligence throughout our procurement process.

Anti-bribery and corruption

Nets has a zero-tolerance policy on bribery and corruption, and we condemn it in all its forms. Together with our Ethical Policy, our Anti-Bribery and Corruption Policy conveys this stance to ensure that our employees act with integrity and do not engage in any actions involving corruption and/or bribery.

OUR ENVIRONMENTAL FOOTPRINT

Environmental performance at Nets A/S, an overview of Scopes 1,2 and 3, of the Greenhouse Gas Protocol for the past 3 years

	2021	2020	2019
Scope 1 *	689,8 tCO_2e	918,7 tCO_2e	366,9 tCO_2e
Scope 2**	2007,4 tCO_2e	2573,6 tCO_2e	2474,2 tCO_2e
Scope 3***	277,3 tCO_2e	724,1 tCO_2e	1908,5 tCO_2e
Total**	**2974,5 tCO_2e**	**4216,4 tCO_2e**	**4749,7 tCO_2e**

* Scope 1 includes company cars (petrol, diesel, and hybrid), refrigerant and burning oil from Nets-owned data centres. Due to the changes in company car vendors estimates were made for Sweden, Denmark, and Finland in 2020. In 2021 data has not been available for 3 company cars for Finland, and the electricity consumption for the 12 hybrid cars have not been possible collect and is therefore not included.

** Scope 2 includes electricity, heating, and electricity from Nets-owned data centres. The reduction is primarily due to the relocation to more energy efficient offices in Denmark and Sweden, and the reduction in the number of offices.

*** Scope 3 includes air travel, taxi, travel in own car with reimbursed km, electricity from rented data centres, water, waste, paper consumption. Waste consumption for two location has been estimated for 2021 and is missing for one location in 2020 and 2019. Material used has been estimated for one location in 2021. The large drop in CO2-emissions is mainly due to Covid-19 travel restriction.

**** The total excludes 8 office locations with less than 5 people, which is not considered material for the total footprint.

Corporate Social Responsibility (continued)

To ensure that all employees are aware of the rules with which they must comply, we have set a target for all employees to receive adequate annual training, which they receive via an online module available on the company intranet. In addition, an anti-bribery and corruption risk assessment was carried out in 2021, which will be followed up on as part of our annual risk mapping exercises.

Whistleblower scheme
An updated Group Whistleblower Policy was adopted by Nets in December 2021, shortly after we launched the new Whistleblower tool by carrying out training of relevant individuals to receive and act on whistleblowing reports and by providing relevant information to all employees via the intranet. Nets thereby met the requirements of the new EU Whistleblower Directive, establishing a strong and independent whistleblower scheme across Nets, allowing employees, the Executive Management, the Board of Directors and external stakeholders to report violations or misconduct, or suspicions thereof.

All submissions to the whistleblower scheme during 2021 were deemed to be out of scope.

RESPONSIBLE EMPLOYER

Our overall aim is to be a responsible employer and provide a secure workplace and an encouraging working environment. Our framework is guided by the United Nations' Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Nets' Human and Labour Rights Policy provides a standard for how to promote human rights, including not discriminating when hiring and speaking up if an employee experiences discriminatory behaviour.

Engaged and employable employees
We believe that engaged people deliver a better customer experience. And we are committed to ensuring that our employees continuously increase their 'employability' via continuous development throughout their careers at Nets. We believe in experience-based learning and expect leaders to check in with their employees frequently so they can identify growth opportunities together. Engagement and the perceived ability to learn and grow are measured through our Engagement and Pulse Surveys. We will continue to focus on both engagement and growth during 2022.

To gather feedback from employees across the organisation, Nets conducts a yearly Engagement Survey and additional Pulse Surveys, when relevant, through which employees can make their voices heard. In 2021, 82% of our employees responded to the yearly Engagement Survey showing a strong commitment to making Nets a better place to work. In September, the Yearly Engagement Index was measured at 70/100 which is satisfactory given the continued impact of the COVID-19 pandemic. Leadership Effectiveness was also measured as part of the Engagement Survey and showed a satisfactory Leadership Effectiveness Index of 82/100.

Diversity
For Nets, it is important to continue to operate a healthy and forward-looking company, that can attract and develop great talent. A key part of this is being a dynamic, diverse and inclusive place to work, where everybody feels welcome and able to explore their full potential. Our aim is to be an attractive employer that offers great opportunities for the best international talent regardless of their nationality, ethnicity, disability, age, gender, sexual orientation, religion, or belief.

Launching the Diversity and Inclusion Board
In 2021, we established the Diversity and Inclusion Board at Nets. This is a cross-business, cross-border team chaired by the Nets CEO that aims to drive the company's diversity and inclusion agenda, and to set out its priorities and activities. The primary focus for 2021 was gender equality, with work on additional topics planned for 2022 and beyond.

Initiatives to promote women in management
It is important for Nets that our executives have the right skillset, irrespective of gender. When filling management positions, Nets strives to broaden the profiles of candidates as much as possible, to give men and women equal opportunities. In addition, requirements for external recruitment agencies include gender diversity measures to promote diversity balance.

At the end of 2021, there are five board members for Nets Denmark A/S of whom two are female. During the year, one female member left the board and a new male and female member joined. The female members currently make 40% of the board of Nets Denmark A/S. At the end of 2021 the board of Nets A/S consisted of three members of whom one is female. One female was replaced by a male and one male stepped out and was not replaced. The female representation at Nets A/S corresponded to 33% at the end of 2021. The gender distribution is considered equal according to the Danish Business Authority's guidance.

In 2021, the Board of Directors of Nets A/S set the following targets for the gender composition of managers in Nets A/S and Nets Denmark A/S:

- To comprise at least 40% female leadership by 2031

In 2021, the percentage of female managers was 21.6%, which is a drop from 28% in 2020 due to the sale of the account-to-account payment business to Mastercard in 2021. Therefore, in 2021, we initiated several activities to promote female talent, including a project on diverse hiring with the aim of having 40% female

Corporate Social Responsibility (continued)

applicants and hires in the future. We have also launched an equal pay review for some of the countries in our perimeter. The results are currently being audited, and following that a specific plan will be developed to address the results obtained.

Working environment

We respect and prioritise the well-being of our employees across locations and countries, and we strive to create the best possible working environment by providing a non-discriminatory, safe, and healthy workplace for all.

Nets has continued to provide support for employees during the pandemic to enable them to work from home. This has included guidelines and tools for how to cope with the situation, as well as the loan of office and IT equipment. In 2021, Nets worked together with an external provider to offer a series of online webinars which focused on helping employees to combat fatigue and maintain their health while remote working. Hybrid working guidelines were also made permanent during the year, to enable employees to work in a more flexible way, while an allowance was introduced for employees to purchase permanent home office equipment. To monitor the well-being of employees during the pandemic, specific questions were also added to the Pulse Survey conducted in February, and the yearly Engagement Survey conducted in September. The feedback from employees showed that they felt supported while working remotely, were in close contact with their leaders, were able to stay connected with their team members while working remotely, knew what was expected of them, and received feedback on their performance. Responses to the COVID-19-related questions surveys were in the mid-80s, on a 100-point scale, which was deemed to be satisfactory.

ASSESSMENT OF OUR CSR-RELATED RISKS

We have mapped our risks and collected them into the five categories below.

Negative impact on the environment and climate

Our products and services are about digitalising processes and thereby also reducing the consumption of paper and equipment needed. However, we operate out of office buildings which consume energy, and we depend on data warehouses that can contribute to high energy consumption if they are not monitored and managed correctly. We collect and calculate our environmental data and have established an internal environmental management system which focuses on the areas we consider most relevant for our business. We expect to improve our data management when we have finalised our CO2 reduction targets for Greenhouse Gas Protocol (GHG) Scopes 1, 2 and 3, and start monitoring and evaluating our performance against them.

Risk of negative impact on human rights

We have many suppliers and we work with them to clearly define our requirements for a responsible value chain. There is a risk that we could indirectly become involved in abuses of human and labour rights, which could lead to fines, lost customers, and reputational damage. As a signatory to UN Global Compact, we are committed to actively ensuring that human and labour rights are protected and respected throughout our supply chain. We therefore strengthened our procurement set-up in 2021 and now require our suppliers to complete a Supplier Sustainability Self-Assessment, so we can confirm that they meet our requirements in this area.

Risk of negative impact on labour rights

There is a risk that our employees could be discriminated against or might not thrive at work. Therefore, we are committed to promoting a healthy workplace with a focus on the physical and psychological working environment. We have reporting channels and policies, and training tools in place, and follow developments closely in this area. We also monitor employee satisfaction through engagement surveys.

Risk of being associated with corruption

As a signatory to the UN Global Compact, we are committed to actively combating corruption in all its forms. We acknowledge that we have a risk of being associated with corruption, which is why we annually update our ethical policy and Anti-Bribery and Corruption Policy, and we conduct mandatory trainings to prevent our employees from being involved in irresponsible and unethical activities. In 2021, we updated our whistleblower policy and scheme, and implemented a new whistleblowing tool, in order to provide increased opportunities and protection for our employees and external stakeholders to report concerns and ethical breaches.

Misapplication of customer data

Every day, Nets processes and stores large amounts of data related to the processing of financial transactions between millions of accounts in multiple countries. We recognise the risk we pose to society if our core products and services are not available or stable. To boost customer confidence and instil customer trust, we have programmes in place to protect consumer and customer privacy, and we continuously work to improve the resilience of our systems and platforms, and to increase awareness of cyber- and information security internally and among our stakeholders.

Statement by the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today discussed and approved the Annual Report of Nets A/S for the financial year 2021.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further requirements according to the Danish Financial Statements Act. The financial statements of the Parent Company have been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020, the results of the Group and Parent Company's operations and the Group's consolidated cash flows for the financial year 1 January – 31 December 2021.

In our opinion, the Management Review includes a true and fair account of the development in the Group's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent Company face.

We recommend that the Annual Report be approved at the Annual General Meeting on 24 March 2022.

Ballerup, 24 March 2022

Executive Management

Klaus Pedersen
CEO

Board of Directors

Bo Nilsson
Chairman

Janus Hillerup

Pia Ingrid Jørgensen

Independent auditor’s report

TO THE SHAREHOLDERS OF NETS A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group’s financial position at 31 December 2021 and of the results of the Group’s operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company’s financial position at 31 December 2021 and of the results of the Parent Company’s operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Nets A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group (“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 Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON MANAGEMENT’S REVIEW

Management is responsible for Management’s Review.

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

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

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of Parent Company 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 Group’s and the Parent 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 Group or the Parent 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.

Independent auditor's report (continued)

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Hellerup, 24 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Michael Groth Hansen
State Authorised Public Accountant
mne33228

Consolidated income statement

EURm	Note	2021	2020
Continuing operations			
Revenue, gross	2.1	1,212.2	1,071.2
Interchange fees and processing fees		(412.0)	(350.8)
Revenue, net of interchange fees and processing fees	2.1	**800.2**	**720.4**
Cost of sales		(53.9)	(40.7)
External expenses		(185.6)	(180.2)
Staff costs	2.3	(231.4)	(224.3)
Operating result before depreciation and amortisation before special items (EBITDA B.S.I.)		**329.3**	**275.2**
Special items	2.2	(91.1)	(133.1)
Operating result before depreciation and amortisation (EBITDA)		**238.2**	**142.1**
Amortisation of business combination intangibles, customer agreements & impairment losses	4.2 & 4.3	(61.0)	(58.3)
Underlying depreciation and amortisation	4.2 & 4.3	(117.4)	(99.5)
Operating result (EBIT)		**59.8**	**(15.7)**
Result from associates after tax	4.5	3.1	4.5
Fair value adjustment on liability related to Visa shares		0.3	-
Fair value adjustment of Visa shares related to Nets Branch Norway and proceeds (shares) related to Nets Branch Sweden		0	0.4
Financial income and expenses, net	5.4	(134.7)	1.1
Net financials		**(131.3)**	**6.0**
Result before tax		**(71.5)**	**(9.7)**
Income taxes	6.1	(2.2)	16.3
Result from continuing operations		**(73.7)**	**6.6**
Result from discontinuing operations	4.6	**1,739.4**	**61.5**
Result for the year		**1,665.7**	**68.1**

EURm	Note	2021	2020
The result is attributable to:			
Owners of Nets A/S, continuing operations		1,654.3	(1.2)
Owners of Nets A/S, discontinuing operations		6.8	61.5
Non-controlling interests, continuing operations		4.6	7.8
		1,665.7	**68.1**
Non-GAAP performance measures, continuing operations			
Operating result before depreciation and amortisation (EBITDA) before special items		329.3	275.2
Underlying depreciation and amortisation		(117.4)	(99.5)
Adjusted EBIT		**211.9**	**175.7**

Consolidated statement of other comprehensive income

EURm	Note	2021	2020
Result for the year		**1,665.7**	**68.1**
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial gains/(loss) on defined benefit pension plans	7.1	(0.1)	(0.3)
Total items never reclassified to the consolidated income statement		**(0.1)**	**(0.3)**
Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:			
Currency translation adjustments, foreign enterprises		14.0	(11.3)
Reclassification of currency swap to the consolidated income statement		8.8	(12.5)
Net gains/(loss) on cash flow hedges		(0.9)	0.7
Tax on fair value adjustments		(2.6)	2.6
Total items that may be reclassified to the consolidated income statement subsequently		**19.3**	**(20.5)**
Other comprehensive income for the year, net of tax		**19.2**	**(20.8)**
Total comprehensive income for the year, net of tax		**1,684.9**	**47.3**
Total comprehensive income for the year is attributable to:			
Owners of Nets A/S, continuing operations		1,673.5	(15.4)
Owners of Nets A/S, discontinuing operations		6.8	61.5
Non-controlling interests, continuing operations		4.6	1.2
		1,684.9	**47.3**

Consolidated balance sheet as at 31 December

EURm	Note	2021	2020
Assets			
Non-current assets			
Goodwill	4.2	1,714.2	1,691.4
Other intangible assets	4.2	496.6	498.8
Plant and equipment	4.3	136.9	143.1
Investment in associates	4.5	40.4	37.2
Deferred tax assets	6.1	25.5	28.5
Total non-current assets		**2,413.6**	**2,399.0**
Current assets			
Inventories	3.1.1	5.0	9.6
Trade and other receivables	3.1.2	153.7	148.1
Contract assets	2.1	17.2	27.7
Clearing-related assets	3.2	485.2	461.8
Prepayments		42.0	35.2
Receivables from Group enterprises		-	82.4
Other financial assets		11.9	9.0
Cash and cash equivalents	3.3	358.4	189.7
Assets held-for-sale	4.6	-	1,107.5
Total current assets		**1,073.4**	**2,071.0**
Total assets		**3,487.0**	**4,470.0**

EURm	Note	2021	2020
Equity and liabilities			
Equity			
Share capital	5.1	26.9	26.9
Reserves		1,008.4	1,225.8
Equity, owners of Nets A/S		**1,035.3**	**1,252.7**
Non-controlling interests		-	133.4
Total equity		**1,035.3**	**1,386.1**
Non-current liabilities			
Borrowings	5.2	218.7	401.4
Liabilities to Group enterprises	5.2	909.0	1,021.8
Pension liabilities, net	7.1	-	4.0
Derivative financial instruments	3.5	-	7.8
Other liabilities	5.6	3.8	11.8
Lease liabilities	5.3	57.9	62.2
Deferred tax liabilities	6.1	53.8	83.0
Total non-current liabilities		**1,243.2**	**1,592.0**
Current liabilities			
Bank overdraft	5.2	-	8.0
Trade and other payables	3.1.3	264.2	307.7
Contract liabilities	2.1	8.0	4.2
Clearing-related liabilities	3.2	728.7	577.5
Liabilities to Group enterprises		162.9	24.4
Other liabilities	5.6	21.8	333.6
Lease liabilities	5.3	10.1	11.2
Other financial liabilities		2.1	1.1
Current tax liabilities	6.1	10.7	179.7
Liabilities held-for-sale	4.6	-	44.5
Total current liabilities		**1,208.5**	**1,491.9**
Total liabilities		**2,451.7**	**3,083.9**
Total equity and liabilities		**3,487.0**	**4,470.0**

Consolidated statement of cash flows for the year ended 31 December

EURm	Note	2021	2020
EBITDA before Special items from continuing operations		329.3	275.2
Special items from continuing operations		(91.1)	(133.1)
EBITDA from discontinued operations	4.6	8.1	80.9
Other non-cash items		6.1	1.5
Change in narrow working capital		(43.9)	38.1
Interest and similar items, net		(55.6)	(59.9)
Taxes paid	6.1	(192.3)	(21.9)
Net cash flow from operating activities excluding clearing-related balances		**(39.4)**	**180.8**
Change in clearing-related balances		127.8	11.7
Net cash from operating activities		**88.4**	**192.5**
Purchase of intangible assets	4.2	(134.7)	(163.9)
Purchase of plant and equipment	4.3	(22.4)	(15.2)
Investments and mergers	4.1	(356.8)	(355.5)
Proceeds from Visa shares		-	6.2
Proceeds from sale of Nets Account-to-Account activities		2,790.4	-
Net cash from investing activities		**2,276.5**	**(528.4)**
Proceeds from shareholder loan		580.5	478.7
Repayment of shareholder loan		(518.4)	(107.1)
Proceeds from borrowings		-	75.6
Repayment of borrowings		(183.5)	(50.4)
Dividends to shareholders		(2,043.8)	-
Repayment of finance lease liabilities		(16.9)	(19.1)
Settlement of interest swap		(8.7)	12.5
Net cash from financing activities		**(2,190.8)**	**390.2**

EURm	Note	2021	2020
Net cash flow for the year		**174.1**	**54.3**
Cash and cash equivalents as at 1 January		181.7	136.0
Exchange gain/(loss) on cash and cash equivalents		2.6	(8.6)
Net cash and cash equivalents as at 31 December		**358.4**	**181.7**
Bank overdraft (clearing-related balances)		-	8.0
Cash and cash equivalents as at 31 December	3.3	**358.4**	**189.7**

Non-GAAP performance measures

EURm	Note	2021	2020
Net cash and cash equivalents as at 31 December		**358.4**	**181.7**
Clearing-related assets as at 31 December		485.2	461.8
Clearing-related liabilities as at 31 December		(728.7)	(577.5)
Adjustment for Visa proceeds		-	(0.6)
Own cash as at 31 December	3.3	**114.9**	**65.4**
Own cash as at 1 January		**65.4**	**32.0**
Net cash from operating activities excluding clearing-related balances		(39.4)	180.8
Net cash from investing activities in the year		2,275.2	(533.6)
Net cash from financing activities excluding clearing-related activities		(2,190.8)	390.2
Own cash aquired from takeover		1.3	4.4
Net cash from pass-through Visa proceeds		0.6	0.2
Exchange gain/(loss) on cash and cash equivalents		2.6	(8.6)
Own cash as at 31 December		**114.9**	**65.4**

Consolidated statement of changes in equity as at 31 December

	2021						
EURm	Share capital	Hedge reserves	Currency translation reserves	Retained earnings	**Equity, owners of Nets A/S**	Non-controlling interests	**Total equity**
2021							
Equity as at 1 January	26.9	(5.3)	(85.2)	1,316.3	**1,252.7**	133.4	**1,386.1**
Result for the year	-	-	-	1,661.1	**1,661.1**	4.6	**1,665.7**
Other comprehensive income for the year							
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	(0.1)	**(0.1)**	-	**(0.1)**
Currency translation adjustments, foreign enterprises	-	-	14.0	-	**14.0**	-	**14.0**
Net gain/(loss) on cash flow hedges	-	(0.9)	-	-	**(0.9)**	-	**(0.9)**
Reclassification of interest swap to the consolidated income statement	-	8.8	-	-	8.8	-	8.8
Tax on fair value adjustments	-	(2.6)	-	-	**(2.6)**	-	**(2.6)**
Other comprehensive income for the year	**-**	**5.3**	**14.0**	**(0.1)**	**19.2**	**-**	**19.2**
Total comprehensive income for the year	**-**	**5.3**	**14.0**	**1,661.0**	**1,680.3**	**4.6**	**1,684.9**
Share based payments	-	-	-	8.1	**8.1**	-	**8.1**
Acquisition of non-controlling interests	-	-	-	138.0	138.0	(138.0)	0.0
Interim dividends distributed	-	-	-	(2,043.8)	(2,043.8)	-	(2,043.8)
Total changes in equity	-	**5.3**	**14.0**	**(236.7)**	**(217.4)**	**(133.4)**	**(350.8)**
Equity as at 31 December	**26.9**	**5.3**	**(71.2)**	**1,079.6**	**1,035.3**	**-**	**1,035.3**

Consolidated statement of changes in equity as at 31 December

EURm	Share capital	Hedge reserves	Currency translation reserves	Retained earnings	**Equity, owners of Nets A/S**	Non-controlling interests	**Total equity**
				2020			
2020							
Equity as at 1 January	26.9	3.9	(80.5)	1,440.1	**1,390.4**	132.2	**1,522.6**
Result for the year	-	-	-	60.3	**60.3**	7.8	**68,1**
Other comprehensive income for the year							
Actuarial gains/(loss) related to defined benefit pension plans	-	-	-	(0.3)	**(0.3)**	-	**(0.3)**
Currency translation adjustments, foreign enterprises	-	-	(4.7)	-	**(4.7)**	(6.6)	**(11.3)**
Settlement of interest swap	-	(12.5)	-	-	**(12.5)**	-	**(12.5)**
Net gain/(loss) on cash flow hedges	-	0.7	-	-	**0.7**	-	**0.7**
Tax on fair value adjustments	-	2.6	-	-	**2.6**	-	**2.6**
Other comprehensive income for the year	**-**	**(9.2)**	**(4.7)**	**(0.3)**	**(14.2)**	**(6.6)**	**(20.8)**
Total comprehensive income for the year	**-**	**(9.2)**	**(4.7)**	**60.0**	**46.1**	**1.2**	**47.3**
Share based payments	-	-	-	1.5	**1.5**	-	**1.5**
Adjustment Other Liabilities	-	-	-	(185.3)	**(185.3)**	-	**(185.3)**
Total changes in equity	-	**(9.2)**	**(4.7)**	**(123.8)**	**(137.7)**	**1.2**	**(136.5)**
Equity as at 31 December	**26.9**	**(5.3)**	**(85.2)**	**1,316.3**	**1,252.7**	**133.4**	**1,386.1**

Contents

With the aim of providing enhanced information and a better understanding of the Group's financial results, position and cash flows, the notes to the consolidated financial statements have been structured into key themes. Further, to provide additional context to the IFRS financial statements and disclosures, narrative comments have been placed adjacent to the disclosures in the relevant theme section. The notes are presented in the following themes:

- Basis of preparation
- Earnings
- Working capital
- Strategic investment and divestment
- Funding and capital structure
- Tax and Governance
- Other disclosures

For ease of reference, an overview of how the financial statement disclosure notes have been allocated to each of the respective themes is set out below.

Section 1:

Basis of preparation

In this section

Section 1

Basis of preparation

Note 1.1

BASIS OF PREPARATION

The basis of preparation relates to the accounting framework which Executive Management has applied in the preparation of the consolidated financial statements of Nets A/S. The consolidated financial statements are prepared on going concern.

International Financial Reporting Standards (IFRS) and interpretations (IFRIC), as adopted by the European Union, and further requirements in the Danish Financial Statements Act for entities in reporting class C have been applied in the preparation of these consolidated financial statements.

Included within these financial statements are the following financial measures which are non-IFRS:

- Adjusted EBIT
- Special Items
- EBITDA
- Own cash

The non-GAAP performance measures are defined in Note 7.6.

The Company is incorporated and registered in Denmark. All figures in the financial statements are, except when otherwise indicated, presented rounded in million Euro with one decimal point.

The accounting policies described in the financial statements have been applied consistently in each of the periods presented.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value as disclosed in Note 7.2.

Section 1

Basis of preparation (continued)

Note 1.2

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. None of these amendments have had material impact on the Group.
A summary of IFRS Standards issued but not yet effective is included in Note 7.3.

Note 1.3

SUMMARY OF KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the financial period.

Estimates and judgements used in the determination of reported results are continuously evaluated and are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Management considers the following estimates and related judgements material to the assets and liabilities recognised in the consolidated financial statements; these are described in further detail adjacent to the disclosure Note.

- Use of special items (Note 2.2) (judgements)
- Business combinations and asset acquisitions (Note 4.1) (judgment and estimate)
- Useful life of intangible assets (Note 4.2) (estimate)
- Recoverable amount of capitalised development projects (Note 4.4) (estimate)
- Goodwill and other intangible assets allocated to Discontinued operations (Note 4.6) (estimate)
- Incremental borrowing rate and expected lease term for lease agreements (Note 5.3) (estimate)
- Recognition of deferred tax assets and uncertain tax positions (Note 6.1) (judgment)

Note 1.4

BASIS FOR CONSOLIDATION

The consolidated financial statements incorporates the financial information of Nets A/S (the "Parent Company") and its subsidiaries (together, "the Group" or "Nets"). Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Potential voting rights are included in the assessment of whether the Group has power over an entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which the Group obtains control or up to the date on which the Group ceases to have control, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation for continuing operations.

Note 1.5

FOREIGN CURRENCY TRANSLATION

Functional and presentational currency items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial information is presented in Euro (EUR), which is also the functional and presentational currency of the Parent Company.

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

TRANSLATION OF TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

TRANSLATION OF GROUP COMPANIES

Financial information of foreign subsidiaries is translated into Euro at the exchange rates prevailing at the end of the reporting period for assets and liabilities, and at average exchange rates for consolidated income statement and other comprehensive income items.

All effects of exchange rate adjustment are recognised in the consolidated income statement, except for exchange rate adjustments of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets including goodwill recognised at acquisition date, at the beginning of the year at the exchange rates at the end of the reporting period;
- the translation of foreign subsidiaries' income statements using average exchange rates, whereas balance sheet items are translated using the exchange rates prevailing at the end of the reporting period.

The above exchange rate adjustments are recognised in other comprehensive income.

Section 2:

Earnings

This section contains disclosure information related to revenue and costs. The section also discloses information regarding foreign currency exposure.

Revenue
800

EBITDA b.s.i.
329

In this section

Note 2.1

Revenue

Significant accounting policies

REVENUE RECOGNITION

The Group earns revenue from its customers on a transactional basis and on a non-transactional basis:

Transaction based revenue – includes revenue generated through a combination of (a) a fee per transaction processed (which represents the primary revenue model in the Issuers & eSecurity Services business areas) and (b) an ad valorem fee based on the value of transactions acquired (which represents the primary revenue model of the Merchant Services business area).

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

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

Revenue from the sale of products is recognised when the buyer obtains control of the goods, usually on delivery of the goods. Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns.

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

Revenues from services obligations to be provided over a period of time are initially recognised as a contract liability and then recognised on a straight-line basis over the period during which the services are rendered.

Revenue is recognised as the gross amount excluding VAT, taxes and duties and discounts in relation to the sale. Revenue is measured at the fair value of the consideration received or receivable. Payment terms vary between 0-45 days.

Interchange fees and processing fees

Interchange fees and processing fees are the accumulated total of all fees directly related to creating a transaction service charge and sales of other services. This represents interchange fees, processing fees, sales commission, network fees and handling fees.

Note 2.1

Revenue (continued)

CONTRACT ASSETS AND LIABILITIES

A contract asset is recognised for the Group's transferring of goods or services, if the customer has either not paid consideration or if the payment is not due. The contract assets primarily relate to development projects in progress.

A contract liability is recognised if the customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer. The contract liabilities primarily relate to prepayments received from customers in relation to development contracts and other non-transaction-based revenue.

BUSINESS AREAS

The Executive Management evaluates the activities from a business unit perspective. Related to the announced sale of the account-to-account business to Mastercard the remaining business activities have been reorganised under two business areas Merchant Services and Issuer & eSecurity Services:

Merchant Services provide in-store, online and mobile payment acceptance solutions to merchants across the Nordic and central European regions, from large corporate chains to small and medium-sized enterprises and micro-merchants. We serve our merchants through a broad set of distribution channels, including indirect partnership relations such as bank referrals, value-added resellers and web developers as well as through our direct sales force. Our breadth of service, payment type and geographic coverage allows us to be a one-stop shop for merchants in the countries in which we operate.

Issuer & eSecurity Services provide outsourced processing services to issuers of payment cards, primarily banks as well as complementary services including Card Management Systems (CMS), fraud and dispute solutions and mobile wallet technology. This business area is also operating and processing the national debit card schemes in Denmark and Norway, branded Dankort and BankAxept, respectively.

EURm	2021	2020
Gross revenue per transaction type		
Transaction services	1,012.1	890.8
Non-transaction services	200.1	180.4
Total	**1,212.2**	**1,071.2**
Gross revenue per business area		
Merchant Services	890.0	739.3
Issuer & eSecurity Services	322.2	331.9
Total	**1,212.2**	**1,071.2**
Net revenue per business area		
Merchant Services	478.0	388.5
Issuer & eSecurity Services	322.2	331.9
Total	**800.2**	**720.4**

Note 2.1

Revenue (continued)

EURm	2021	2020
Gross revenue per geographical area		
Denmark	489.8	466.1
Finland	201.1	201.8
Norway	207.2	199.5
Sweden	108.4	99.4
Poland	198.0*	94.6
Baltics	7.7	9.8
Total	**1,212.2**	**1,071.2**
Net revenue per geographical area		
Denmark	317.7	308.8
Finland	123.6	121.7
Norway	175.6	173.9
Sweden	65.7	58.0
Poland	112.1*	50.3
Baltics	5.5	7.7
Total	**800.2**	**720.4**

The geagraphical breakdown of the revenue is based on the location of the legal entities and branches in the Group.
*Contains full year figure of PEP Group compared to 2020, 2 months

EURm	2021	2020
Assets and liabilities related to contracts with customers		
Contract assets relating to projects and consultancy services	17.2	27.7
Total contract assets	**17.2**	**27.7**
Other prepayments from customers	8.0	4.2
Total contract liabilities	**8.0**	**4.2**

No amounts are overdue for contract assets relating to projects and consultancy services.
Contract assets mainly relates to contracts with the Danish Government (MitID and NemLogin)

Note 2.2

Costs and Special items

Significant accounting policies

COST OF SALES
Cost of sales comprises all costs related to products and services which have been sold. This mainly represents the cost of terminals sold and cost related to the pay-later solution.

EXTERNAL EXPENSES
External expenses mainly comprise IT operation, software, maintenance and development costs that do not qualify for capitalisation, lease expenses and other marketing, sales and distribution costs, losses and card fraud.

Immaterial other gains and losses of a nature secondary to the main activities of the Group are recognised within external expenses.

SPECIAL ITEMS
Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities. They are therefore separately disclosed to allow a more comparable view of underlying business performance.

Special items in the year amounted to EUR 91.1 million (2020: EUR 133.1 million) and included the following costs:

	2021			2020		
EURm	External expenses	Staff costs	Total	External expenses	Staff costs	Total
Special items						
Reorganisation, restructuring and refurbishment	(1.4)	(11.2)	**(12.6)**	(5.2)	(19.2)	**(24.4)**
Business set-ups, acquisitions and disposals	(1.5)	(1.1)	**(2.6)**	(30.6)	(3.1)	**(33.7)**
Transformation programme	(27.4)	(8.1)	**(35.5)**	(35.7)	(5.9)	**(41.6)**
Share based payment, other retention and One-off losses, etc.	(22.9)	(17.5)	**(40.4)**	(30.1)	(3.3)	**(33.4)**
Total special items	**(53.2)**	**(37.9)**	**(91.1)**	**(101.6)**	**(31.5)**	**(133.1)**

Key accounting estimates and judgements
The use of special items entails Management judgement in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and restructuring of the Group carried out to enhance the future earnings potential. All costs presented under Special items are directly derived from the books and records and carefully monitored by Management on a monthly basis to ensure that only cost meeting the criteria are included.

Note 2.2

Costs and Special items (continued)

Financial comments

REORGANISATION, RESTRUCTURING AND REFURBISHMENT
Costs of reorganisation, restructuring and refurbishment amounted to EUR 12.6 million and mainly include costs related to termination of employees as part of making Nets more cost-efficient and competitive in meeting the strategy of being operationally excellent.

BUSINESS SET-UPS, ACQUISITIONS AND DISPOSALS
Costs associated with business set-ups, acquisitions and disposals amounted to EUR 2.6 million and include costs related to external advisors in connection with acquisitions and other M&A related activities.

TRANSFORMATION PROGRAMME
Costs related to the transformation programme amounted to EUR 35.5 million.

These costs related to the further development of a target operating model, and continued investments in security and stability programs as well as the implementation of cost optimisation programmes related to technology, operations and procurement. The cost of third-party consultants represents the majority of the costs relating to the transformation programme.

SHARE BASED PAYMENTS, OTHER RETENTION AND ONE-OFF LOSSES, ETC.
Share based payment, other retention and One-off losses, etc amounted to EUR 40.4 million and primarily included **primarily included Nets Group costs of share based payments and other retention based bonus schemes and losses related to one implementation project**.

Note 2.3

Staff costs

Significant accounting policies

STAFF COSTS
Wages, salaries, pension contributions, social security contributions, annual leave, sick leave etc. and bonuses are recognised in the year in which the associated services are rendered by employees of the Group.

EURm	Note	2021	2020
Staff costs			
Wages and salaries		(244.6)	(224.8)
Share-based payment cost	6.3	(8.1)	(1.5)
Pensions – defined contribution plans		(24.6)	(23.0)
Pensions – defined benefit obligations	7.1	(0.1)	(0.2)
Other social security contributions		(13.5)	(11.2)
Other employee costs		(23.0)	(25.7)
Total employee costs for the year		**(313.9)**	**(286.4)**
Employee costs included in development projects		44.6	30.6
Total employee costs expensed in the income statement		**(269.3)**	**(255.8)**
Employee costs included in special items	2.2	37.9	31.5
Total employee costs included in EBITDA before special items		**(231.4)**	**(224.3)**
Actuarial gain (loss) recognised in other comprehensive income	7.1	(0.1)	(0.3)
Average number of employees, full time equivalant		2,938	2.452
Year-end number of employees, full time equivalant		2,983	2.902

Information about remuneration to the Board of Managers and Key Personnel is disclosed in Note 6.2.

Note 2.4

Foreign currency exposure

Financial comments

TRANSACTION RISK

The Group operates predominantly in Northern Europe and Central Europe. Hence, it is primarily exposed to exchange-rate risks from NOK, SEK, PLN and EUR, and to a minor degree USD and GBP. The DKK-based exposure is considered low, given the de facto fixed-rate policy that Denmark maintains against the Euro. The Group has only minor exposure to currencies other than those mentioned above.

Foreign currency risk is managed at Group level, focusing on two distinct areas: business activities and Group financial assets and liabilities.

BUSINESS ACTIVITIES

There is exchange-rate exposure associated with settlement assets and settlement obligations; however, the exposure is limited, as card transactions are generally executed and settled in the same currency and in the same timeframe. Discrepancies in outflow and inflow of clearing funds result in the Group trading currencies on an ongoing basis to settle these.

GROUP FINANCIAL ASSETS AND LIABILITIES

The Group holds assets and liabilities in foreign currency, mainly in two different classes, which are as follows:

- Cash at bank – the Group has cash at bank which is in different currencies relevant to underlying card-clearing structure. This and the Group's own cash are not being hedged.

FOREIGN EXCHANGE SENSITIVITY ANALYSIS

The Group's exposure to foreign currency fluctuations is summarised in the following tables.

A probable change in the following currencies would hypothetically impact the Group's revenue and operating profit before depreciation and amortisation for the year as outlined in the following table:

		2021		2020	
EURm	Probable change in currency	Net revenue	EBITDA	Net revenue	EBITDA
NOK	+10%	17.8	9.6	16.8	7.6
SEK	+10%	6.0	4.1	5.7	3.8
DKK	1%	3.1	1.0	N/A	N/A
PLN	+10%	11.2	7.6	5.0	3.5
EUR	+1%	1.2	(0.4)	N/A	N/A

Exchange rate EUR per 100	2021				
Key currencies	NOK	SEK	HRK	DKK	PLN
Average	9.85	9.86	13.28	13.45	21.90
End of year	10.04	9.77	13.30	13.45	21.75
Year-end change	5.9%	(1.8%)	0.4%	0.0%	(1.6%)

Exchange rate EUR per 100	2020				
Key currencies	NOK	SEK	HRK	DKK	PLN
Average	9.32	9.52	-	13.42	22.47
End of year	9.44	9.91	-	13.44	22.02
Year-end change	(0.7%)	3.4%	-	0.4%	(6.2%)

Note 2.4

Foreign currency exposure (continued)

Financial comments

A probable change in the following currencies against the currencies as at the balance sheet date would have the following hypothetical impact on profit before tax and the Group's equity based on the exposure of balances in foreign currency. Development in the hypothetical impact on profit before tax is given by a changed capital structure (refer to Note 5.2).

2021

EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]	Net assets[3]	Probable change in currency	Hypothetical impact on result before tax	Hypothetical impact on equity
Exposure of balance in foreign currency									
NOK	53.6	87.9	117.3	(457.4)	(1,018.6)	**(1,217.2)**	10%	(22.4)	(121.7)
SEK	32.3	157.5	41.8	-	(147.6)	**84.0**	10%	2.3	8.4
EUR	46.6	234.9	187.4	(671.2)	(380.7)	**(583.0)**	1%	0.4	(5.8)
PLN	156.1	509.9	569.2	-	(412.1)	**823.1**	10%	0.5	82.3
Total	**288.6**	**990.2**	**915.7**	**(1,128.6)**	**(1,959.0)**	**(893.1)**			

2020

EURm	Cash and cash equivalents	Goodwill	Receivables[1]	Borrowings	Liabilities[2]	Net assets[3]	Probable change in currency	Hypothetical impact on result before tax	Hypothetical impact on equity
Exposure of balance in foreign currency									
NOK	109.1	82.7	100.1	(501.4)	(177.3)	**(386.8)**	10%	0.7	(38.7)
SEK	39.8	159.3	4.8	-	(70.0)	**133.9**	10%	(1.3)	13.4
EUR	(24.1)	209.9	115.0	(981.3)	(146.4)	**(826.9)**	1%	(0.9)	(8.3)
PLN	104.9	523.6	33.3	-	(114.3)	**547.5**	10%	-	54.7
Total	**229.7**	**975.5**	**253.2**	**(1,482.7)**	**(508.0)**	**(532.3)**			

1 Receivables include settlement assets.
2 Liabilities include merchant creditors and settlement obligations.
3 A large part of the balances in foreign currency is naturally hedged by the underlying business activities.

Section 3:

Working capital

The working capital of the Group comprises narrow working capital and clearing-related balances.

Narrow working capital comprises inventory (primarily terminals, spare parts, etc.), trade receivables, pay-later solution, prepayments and other receivables and trade and other payables. Management actively focuses on optimising the narrow working capital requirements of the Group's operations.

Clearing-related balances comprise the aggregate of settlement assets less the aggregate of merchant creditors and settlement obligations, as these balances tend to offset each other.

However, Management has limited ability to improve the working capital of clearing-related balances on a day-to-day basis, as these are driven by the volume of transactions and the time elapsed since the last clearing of financial issuers/card schemes, which is why these balances fluctuate from reporting date to reporting date. A description of the components in the clearing-related balances and the key drivers behind their respective amounts is provided in Note 3.2.

Separate credit lines have been established to cover day-to-day fluctuations – see Note 5.2.

In this section

Significant accounting policies

FINANCIAL ASSETS

Financial assets are classified, at initial recognition, as financial assets at fair value through the income statement, financial assets at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets except for trade receivables are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the income statement, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables including contract assets that do not contain a significant financing component are recognised at the transaction price.

SUBSEQUENT MEASUREMENT

Financial assets at amortised cost

This category is the most relevant to the Group and applies to trade and other receivables and clearing-related assets.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Interest income arising under the EIR method is recognised in financial income in the income statement. Losses arising from impairment are recognised in the income statement under external expenses.

FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

Listed securities are classified as held for trading and are measured at fair value through the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

Disclosures relating to impairment of financial assets are provided in the following notes:

- Trade and other receivables – Note 3.1.2
- Clearing-related balances – Note 3.2

INVENTORIES

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

TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value. Subsequently, these items are measured at amortised cost.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less allowances for doubtful trade receivables. The allowances are deducted from the carrying amount of trade receivables and receivables from the pay-later solution and the amount of the loss is recognised in the income statement under External expenses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Note 3.1.1

Inventories

EURm	2021	2020
Inventories		
Finished goods and merchandise	6.2	11.2
Total inventories (gross)	**6.2**	**11.2**
Inventory write-downs at year-end	(1.2)	(1.6)
Total inventories (net)	**5.0**	**9.6**
Movements in the inventory write-downs		
Inventory write-downs as at 1 January	(1.6)	(1.4)
Inventory write-downs during the year	(0.1)	(0.5)
Provisions utilized	0.5	0.3
Inventory write-downs as at 31 December	**(1.2)**	**(1.6)**

Write-downs of inventories to net realisable value amounted to EUR 0.1 million net (2020: EUR 0.5 million) and are included in cost of sales.

Note 3.1.2

Trade and other receivables

EURm	2021	2020
Trade receivables		
Trade receivables	146.6	143.0
Allowances for doubtful debts	(3.0)	(4.4)
Trade receivables, net	**143.6**	**138.6**
Deposits	5.9	4.1
Other receivables	4.2	5.4
Total	**153.7**	**148.1**

Note 3.1.2

Trade and other receivables (continued)

2021

EURm	Current	Less than 3 months past due	Past due 3-6 months	Past due 6-9 months	Past due 9-12 months	Past due more than 12 months	Total
Expected loss rate	0.0%	0.0%	16.0%	48.0%	67.0%	63.0%	
Trade receivables	122.6	15.0	5.0	2.1	0.3	1.6	146.6
Allowance for doubtful debts as at 31 December	**-**	**-**	**(0.8)**	**(1.0)**	**(0.2)**	**(1.0)**	**(3.0)**
Trade receivables, net							143.6

2020

EURm	Current	Less than 3 months past due	Past due 3-6 months	Past due 6-9 months	Past due 9-12 months	Past due more than 12 months	Total
Expected loss rate	0%	0%	40%	100%	100%	100%	
Trade receivables	128.0	10.0	1.0	0.7	1.0	2.3	143.0
Allowance for doubtful debts as at 31 December	**-**	**-**	**(0.4)**	**(0.7)**	**(1.0)**	**(2.3)**	**(4.4)**
Trade receivables, net							138.6

RELATED CREDIT RISK

The Group is exposed to credit risks related to the trade receivables. The base consists of a large number of customers, both banks and merchants, spread across multiple industries and geographical areas, which minimises the credit risk.

Note 3.1.3

Trade and other payables

EURm	2021	2020
Trade and other payables		
Trade payables	72.4	106.1
Other liabilities	191.8	201.6
Total	**264.2**	**307.7**
Other liabilities		
Employee costs payable	72.6	76.5
Other payables	112.5	110.3
Interest payable	2.9	3.5
VAT and duties payable	3.8	11.3
Total	**191.8**	**201.6**

In 2021 other liabilities includes COVID-19 related postponement of employee tax in Denmark of EUR 4.0 million.

Note 3.2

Clearing-related balances

EURm	2021	2020
Clearing-related assets		
Settlement assets	485.2	461.8
Total	**485.2**	**461.8**
Clearing-related liabilities		
Merchant creditors	562.1	450.5
Settlement obligations	166.6	127.0
Total	**728.7**	**577.5**

The carrying amount of clearing-related balances is, in general, driven by a combination of card turnover, average settlement days and timing of settlement.

Settlement assets consist primarily of the Group's receivables from the card schemes/networks/banks for transactions processed on behalf of merchants or card issuing banks.

Merchant creditors consist primarily of the Group's liability to merchants for transactions that have been processed but not yet settled. Certain settlement terms towards merchants exceed settlement terms towards the remittance from card scheme/banks, thus creating negative working capital.

Settlement obligations consist primarily of the Group's obligations to the card schemes/networks for transactions made by cardholders who are customers in issuing banks for whom the Group processes transactions. The settlement assets and settlement obligations are primarily clearing transactions and fees that are cleared at the beginning of the following month with card issuers and card acquirers respectively.

Note 3.2

Clearing-related balances (continued)

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group is exposed to the risk of unpaid merchant service charges where a customer ceases to trade. To manage this risk, the Group maintains credit risk exposure in line with approved appetite for risk whilst achieving appropriate risk versus reward performance and ensuring that customers will be able to meet their obligations to the Group. In addition, the Group is exposed to chargebacks that arise where customers may not have received the goods or services for which they have paid and seek recompense from the card issuer. Whilst the financial responsibility for a charge-back lies with the merchant, in the event that the merchant is no longer in business, the Group has a liability to re-compensate the card scheme or the issuing bank.

Nets Group continues the work, to further strengthen the credit risk exposure including continued legal review of contracts, renegotiation of merchant credit risk insurance programmes, improved risk assesment for new merchants and improved monitoring of existing merchants.

Note 3.3

Cash and cash equivalents

Significant accounting policies

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand and short-term highly liquid investments that are readily convertible to known amounts of cash and therefore subject to insignificant risk of change in value.

The credit rating of the banks to which the Group has the largest exposure is monitored on a continuous basis. The Group has entered into cash pool arrangements covering all Group entities.

EURm	**2021**	**2020**
Cash at bank and on hand	358.4	189.7
Cash and cash equivalents as at 31 December	**358.4**	**189.7**
Bank overdrafts	-	(8.0)
Cash and cash equivalents as at 31 December, net	**-**	**181.7**
Restricted cash included in cash at bank and on hand	1.7	2.5

EURm	**2021**	**2020**
Cash and cash equivalants as at 31 December, net	**358.4**	**181.7**
Clearing-related assets as at 31 December	485.2	461.8
Clearing-related liabiliteis as at 31 December	(728.7)	(577.5)
Cash related to pass through Visa proceeds	-	(0,6)
Own cash as at 31 December	**114.9**	**65.4**

Note 3.4

Financial risk management

Financial comments

LIQUIDITY AND FINANCING RISK MANAGEMENT

Liquidity management is executed on an ongoing daily basis, ensuring availability of required liquidity of the Group by appropriate cash management, and maintaining adequate liquidity reserves at any time through a combination of readily available cash, liquid investment portfolios and uncommitted as well as committed credit facilities.

The Group has established cash pooling arrangements to ensure cost-efficient and secure cash management. The Group continuously monitors actual and future cash flows to match the maturity profiles of financial assets and liabilities.

A part of the Group's liquidity position relates to its settlement activities (settlement cash). The Group ensures that it has sufficient liquidity at any time to meet its settlement payment obligations as they fall due. This is achieved by holding significant cash balances and maintaining sufficient credit lines.

Settlement cash

The Group's acquiring business has a short-term settlement cycle where card schemes (predominantly Visa/Mastercard) remit cash and the Group pays merchants from these remittances.

The settlement activities can result in a significant increase in cash balances or a significant decrease in cash balances. Liquidity is needed only when merchants are remitted prior to funds being received; however, the settlements are normally performed within a few days.

The Group's issuing business also has a short-term settlement cycle where the network (local banks) remits cash and the Group pays the card acquirer or card schemes. The settlements can result in a significant increase in cash balances or a significant decrease in cash balances. Liquidity risks occur when card acquirers are paid prior to funds being received from the network (local banks); however, settlements are normally performed within a few days.

MATURITY ANALYSIS

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities, with agreed payment periods:

		2021					**2020**				
EURm	**Note**	**< 1 month**	**1-3 months**	**4-12 months**	**> 1 year**	**Total**	**< 1 month**	**1-3 months**	**4-12 months**	**> 1 year**	**Total**
Trade and other receivables including contract assets		127.9	24.3	10.8	7.9	**170.9**	119.1	16.9	31.0	8.8	**175.8**
Clearing-related assets		485.2	-	-	-	**485.2**	461.8	-	-	-	**461.8**
Total financial assets at the end of the year by maturity		**613.1**	**24.3**	**10.8**	**7.9**	**656.1**	**580.9**	**16.9**	**31.0**	**8.8**	**637.6**
Borrowings	5.2	111.9	9.7	32.9	1,104.9	**1,259.4**	188.2	123.7	36.0	1,285.5	**1,633.4**
Trade and other payables including contract liabilities		136.9	25.8	81.0	28.5	**272.2**	189.7	37.6	77.2	7.4	**311.9**
Merchant creditors		562.1	-	-	-	**562.1**	450.5	-	-	-	**450.5**
Clearing-related obligations		166.6	-	-	-	**166.6**	127.0	-	-	-	**127.0**
Other liabilities		8.0	0.4	13.7	3.6	**25.7**	2.0	0.4	331.2	11.8	**345.4**
Lease liabilities	5.3	3.3	1.3	11.6	75.4	**91.6**	3.3	0.8	10.3	68.4	**82.8**
Total financial liabilities at the end of the year by maturity		**988.8**	**37.2**	**139.2**	**1,212.4**	**2,377.6**	**960.7**	**162.5**	**454.7**	**1,373.1**	**2,951.0**

The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates.
A more detailed maturity analysis of the Group loans is disclosed in Note 5.2.

Note 3.5

Derivative financial instruments

THE GROUP HAS THE FOLLOWING DERIVATIVE FINANCIAL CERTIFICATES

EURm	2021	2020
Non-current liabilities		
Currency swap	-	7.8
Total non-current derivative financial instruments	**-**	**7.8**

EURm	Cost of hedging reserve	Currency instruments	Total
As at 1 January 2021	(1.1)	(6.7)	(7.8)
Add: Change in fair value of hedging instrument recognised in OCI for the year	-	-	-
Less: Reclassified from OCI to profit or loss – included in finance costs	1.1	6.7	7.8
As at 31 December 2021	**-**	**-**	**-**

EURm	Cost of hedging reserve	Currency instruments	Total
As at 1 January 2020	(0.7)	5.0	4.3
Add: Change in fair value of hedging instrument recognised in OCI for the year	-	(11.7)	(11.7)
Less: Reclassified from OCI to profit or loss – included in finance costs	(0.4)	-	(0.4)
As at 31 December 2020	**(1.1)**	**(6.7)**	**(7.8)**

CLASSIFICATION OF DERIVATIVES

Derivatives are only used for economic hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's accounting policy for its cash flow hedges is set out in Note 5.2. When applicable, further information about the derivatives used by the Group is provided in the section on market risk.

FAIR VALUE MEASUREMENTS

For information about the methods and assumptions used in determining the fair value of derivatives, refer to Note 7.2.

HEDGE INEFFECTIVENESS

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

For hedging of Senior Notes payments (principal amount and interest in foreign currency (EUR), the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item.

The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item, such as changes in the credit risk of Nets or the derivative counterparty, the Group uses the hypothetical derivative method to assess effectiveness.

Note 3.5

Derivative financial certificates (continued)

All derivative financial instruments of the Group were terminated during 2021.

MARKET RISK

Foreign exchange risk

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in the different currencies used by the Group, is shown in Note 2.4 and 5.2, respectively.

The Group operates across Europe and is exposed to foreign exchange risk. Refer to description in Note 2.4.

Instruments used by the Group

Up until the termination of the Group's derivative financial instruments during the second quarter of 2021 and in the financial year 2020 the following applied to the Group:

The Group's treasury policy is to hedge the foreign currency risk related to the Senior Notes amounting to a notional of EUR 220 million by swapping the fixed rate EUR interest and notional exposure into fixed rate DKK and NOK, respectively. The DKK/NOK currency swap ratio is determined based on the forecast consolidated EBITDA origination in DKK and the consolidated net investment in NOK respectively.

The cross-currency swaps are classified as a hedge of future cash flows (EUR/DKK) and a hedge of net investment in a foreign operation (EUR/NOK), respectively, as the (EUR/DKK) swap is assessed to not qualifying as a hedge of a net investment in a foreign operation, but due to the Exchange Rate Mechanism ERM II agreed between the Danish Central Bank and the European Central Bank (ECB), which limits the EUR/DKK fluctuation band to +/- 2.25%, the hedge is considered effective.

Untill settlement, the swaps in place matched the EUR payments until notes maturity in 2024. The cross-currency swaps replace the fixed EUR
interest rate of 2.875% with a fixed DKK interest rate of 2.9285% and a fixed NOK interest rate of 4.7020%, respectively.

The swap contracts require settlement of EUR payments every 6 months. The settlement dates coincide with the dates on which Senior Notes principal and interest are payable.

The cost of hedging provisions cf. IFRS 9 are applied to the currency basis spread related to the NOK cross currency swap. The only identified source of ineffectiveness in relation to the Group's derivate financial instruments is changes in credit risk between the Group and the counterparty.

Effects of hedge accounting on the financial position and performance.

The effects of the cross-currency swaps on the Group's financial position and performance is as shown in the table:

	2021	**2020**
Currency certificates		
Carrying amount (assets/liability) (EURm)	-	(6.7)
Notional amount (EURm)	-	207.6
Maturity date	-	2024
Change in fair value of outstanding hedging instruments since 1 January (EURm)	-	(11.7)
Hedged fixed interest rate until maturity	-	2.9285 % - 4.702 %

Section 4:

Strategic investments and divestments

This section includes disclosure information related to how the Group executed its growth strategy related to:
- Expansion of geographical and service offering footprint through acquisitions
- Development of innovative product and service offerings

STRATEGIC ACQUISITIONS
The Group is actively committed to renewing and supplementing the portfolio of services offered and to strengthening our geographical footprint.

This section provides information on the consideration paid by the Group for acquiring these entities and shows how these businesses have impacted the Group's balance sheet at their respective acquisition dates, including details on goodwill and other intangible assets acquired.

INVESTMENTS IN DEVELOPMENT PROJECTS
At Nets, we see easier payments as the foundation for growth and progress – both in commerce and in society. The Group continuously innovates to bring to market products and services relevant to our focus areas in new payment certificates, analytics and authentication.

This section includes financial information related to expenditure on development projects.

In this section

Note 4.1

Business combinations and asset acquisitions

Significant accounting policies

BUSINESS COMBINATIONS
Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at either fair value (full goodwill) or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable assets.

Any contingent consideration to be transferred is measured at fair value at the acquisition date. Acquisition-related costs are expensed as and when incurred within Special Items for external expenses and staff costs.

At the acquisition date, the identifiable assets acquired and the liabilities, including contingent liabilities assumed, are recognised at their fair value at the acquisition date. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the following 12 months from the acquisition date, if additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date which, if known, would have affected the amounts recognised at that date. The effect of the adjustment is recognised in the opening balance and the comparative figures are restated accordingly.

When the Group ceases to have control of any retained interest in the entity, it is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

Note 4.1

Business combinations and asset acquisitions

Key accounting estimates and judgements
The most significant assets acquired generally comprise goodwill, customer agreements and development projects. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of acquired intangible assets, Management makes estimates of the fair value. The methods applied are based on the present value of future cash flows, churn rates or other expected cash flows related to the specific asset.

The fair value of development projects and customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired portfolio and related customer relationships. Measurement is based on a discounted cash flow model on key assumptions about the estimated split of the acquired and expected revenue, the related churn rates and profitability of the revenue at the time of the acquisition.

ACQUISITION OF BUSINESSES
In January 2020 the Group acquired the companies Poplatek Payments Oy and Poplatek Oy and in October 2020 the Group acquired the "PeP Group". In April 2021, the group acquired the company Checkout Oy. In 2020 and 2021 the acquisitions will have the following effect on the Group's consolidated financial statements as at the reporting date:

Checkout Finland Oy
In January 2021, Nets announced the acquisitions of Finnish eCommerce company Checkout Finland Oy.

On 30 April 2021, Nets Denmark A/S subsidiary, Paytrail Oy, acquired 100% of the shares in the Finnish company Checkout Finland OY.
The purchase price amounted to EUR 36 million.

The acquisition has further strengthened the Group's presence in Finland and Europe and will support the Merchant Services eCom business.

Goodwill represents the value of the current workforce and know-how and also the operational synergies and growth expected from integration within the Group.

If the acquisition had occurred on 1 January 2021, pro-forma revenue and loss for the year ended 31 December 2021 would have been EUR 11.6 million and EUR 8.2 million, respectively.

Acquisition costs related to the purchase amounted to EUR 1.2 million.

In July 2021, Nets completed acquisitions of outstanding shares from Polish P24-Dotcard minority shareholder, for a total amount of EUR 317.4 million. The transaction was not subject to further goodwill recognition.

	2021		
	Checkout Finland OY		
EURm	Book value on acquisition date	Opening Balance	**Total 2021 acquisitions (Opening balance)**
Goodwill	0.8	27.2	**27.2**
Other intangibles	4.4	9.3	**9.3**
Other assets	0.9	0.9	**0.9**
Cash and cash equivalent	1.3	1.3	**1.3**
Deferred tax liabilities	-	(0.9)	**(0.9)**
Other liabilities	(1.0)	(1.5)	**(1.5)**
Consideration transferred			**36.3**
Cash and cash equivalent in aquisition of business			**(1.3)**
Total cash consideration			**35.0**

2020:
Poplatek Oy and Poplatek Payments Oy
An agreement to acquire 100% of the shares and voting rights in the Finnish companies Poplatek Oy and Poplatek Payments Oy was signed 23 December 2019, with closing date 8 January 2020. The combined purchase price amounted to EUR 18 million. Total combined consideration paid at closing was EUR 10 million and a remaining future consideration is estimated at EUR 8 million based on a number of elements, including Revenue and EBITDA in the following years.

The combined acquisition has further strengthened the Group's presence in Finland and Europe and will support the Merchant Services business with

Note 4.1

Business combinations and asset acquisitions (continued)

strengthened payment application capabilities and offerings within payment terminal services.

Goodwill represents the value of the current workforce and know-how and also the operational synergies expected from integration within the Group.

Acquisition costs related to the combined purchase amounted to EUR 0.7 million.

Centrum Rozliczeń Elektronicznych Polskie ePłatności SA ("PeP Group")
An agreement to acquire 100 % of the shares and voting rights in PeP Group was signed on 11 March 2020, with closing date 26 October 2020 for a total cash consideration of PLN 1,559 million (EUR 349 million).

The acquisition of PeP Group, consisting of Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A. (PeP) and fully owned subsidiaries PayLane Sp. z o.o., BillBird S.A. and TopCard Sp. z o.o. has further strengthened the Group's European presence and gained access to the sixth-largest country in the EU with high growth in digital payments and helped Nets to become one of the largest payment providers in Poland.

Goodwill represents the value of the current workforce and know-how and also the operational synergies and growth expected from integration within the Group.

If the acquisition had occurred on 1 January 2020, pro-forma revenue and loss for the year ended 31 December 2020 would have been EUR 52.6 million and EUR (3.4) million, respectively.

Acquisition costs related to the purchase amounted to EUR 7.5million.

	2020		2020		2020		
	Poplatek Payments Oy		Poplatek Oy		PeP Group		**Total 2020 acquisitions (Opening balance)**
EURm	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	Book value on acquisition date	Opening Balance	
Goodwill	-	9.3	-	5.3	37.3	318.5	**333.1**
Other intangibles	0.1	2.3	-	1.2	6.1	79.4	**82.9**
Plant and equipment	0.1	0.1	0.1	0.1	24.8	24.8	**25.0**
Deferred tax assets	-	-	-	-	-	0.4	**0.4**
Other assets	0.5	0.5	0.3	0.3	24.4	23.5	**24.3**
Cash and cash equivalent	0.1	0.1	0.4	0.4	4.7	4.7	**5.2**
Deferred tax liabilities	-	(0.4)	-	(0.2)	(0.6)	(15.1)	**(15.7)**
Borrowings	(0.3)	(0.3)	-	-	(52.9)	(52.9)	**(53.2)**
Other liabilities	(0.2)-	(0.3)	(0.7)	(0.8)	(33.6)	(34.6)	**(35.7)**
Consideration transferred		**6.5**		**3.5**		**348.7**	**358.7**
Cash and cash equivalent in aquisition of business		(0.1)		(0.4)		(4.7)	**(5.2)**
Total cash consideration		**6.4**		**3.1**		**344.0**	**353.5**

Note 4.2

Intangible assets

Significant accounting policies

GOODWILL

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised. The carrying amount of goodwill is tested annually and if events or changes in circumstances indicate impairment.

CUSTOMER AGREEMENTS AND RIGHTS

Customer agreements and rights are carried at historical cost less accumulated amortisation and any impairment loss. Amortisation is calculated using the straight-line method to allocate the cost over estimated useful life, which does not exceed:

- Customer agreements 3–15 years
- Rights 3–10 years.

SOFTWARE

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

DEVELOPMENT PROJECTS IN PROGRESS

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

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

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

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

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

Key accounting estimates and judgements

CUSTOMER AGREEMENTS

The useful life of customer agreements is determined based on periodic assessments of customer churn or actual useful life and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment.

SOFTWARE

The useful life of software is determined based on periodic assessments of actual useful life and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment.

DEVELOPMENT PROJECTS IN PROGRESS

For development projects in progress, Management estimates whether each project is likely to generate future economic benefits for the Group in order to qualify for recognition. The development projects are evaluated on technical as well as commercial criteria.

Note 4.2

Intangible assets (continued)

2021

EURm	Goodwill	Other intangible assets: Customer agree-ments	Other intangible assets: Software	Other intangible assets: Devel-opment projects in progress	Other intangible assets	Total intangible assets
Accumulated cost as at 1 January	**1,691.4**	416.3	593.2	53.3	**1,062.8**	**2,754.2**
Additions from acquisitions	**27.2**	4.9	4.4	-	**9.3**	**36.5**
Additions	**-**	-	12.5	122.2	**134.7**	**134.7**
Transfer between asset groups	**-**	-	53.6	(53.6)	**-**	**-**
Assets disposed of	**-**	-	(18.8)	-	**(18.8)**	**(18.8)**
Currency translation adjustment	**(4.4)**	(2.6)	2.7	-	**0.1**	**(4.3)**
Accumulated cost as at 31 December	**1,714.2**	**418.6**	**647.6**	**121.9**	**1,188.1**	**2,902.3**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(226.2)	(337.8)	-	**(564.0)**	**(564.0)**
Amortisation	**-**	(31.6)	(112.2)	-	**(143.8)**	**(143.8)**
Assets disposed of	**-**	-	18.7	-	**18.7**	**18.7**
Currency translation adjustment	**-**	1.6	(4.0)	-	**(2.4)**	**(2.4)**
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(256.2)**	**(435.3)**	**-**	**(691.5)**	**(691.5)**
Carrying amount as at 31 December	**1,714.2**	**162.4**	**212.3**	**121.9**	**496.6**	**2,210.8**

2020

EURm	Goodwill	Other intangible assets: Customer agree-ments	Other intangible assets: Software	Other intangible assets: Devel-opment projects in progress	Other intangible assets	Total intangible assets
Accumulated cost as at 1 January	**1,360.8**	339.1	510.3	74.9	**924.3**	**2,285.1**
Additions from acquisitions	**333.1**	77.3	5.6	-	**82.9**	**416.0**
Additions	**-**	-	2.4	84.7	**87.1**	**87.1**
Transfer between asset groups	**-**	-	106.3	(106.3)	**-**	**-**
Assets disposed of	**-**	-	(30.5)	-	**(30.5)**	**(30.5)**
Currency translation adjustment	**(2.5)**	(0.1)	(0.9)	-	**(1.0)**	**(3.5)**
Accumulated cost as at 31 December	**1,691.4**	**416.3**	**593.2**	**53.3**	**1,062.8**	**2,754.2**
Accumulated amortisation and write-downs for impairment as at 1 January	**-**	(178.5)	(294.2)	-	**(472,7)**	**(472.7)**
Amortisation	**-**	(46.6)	(74.0)	-	**(120.6)**	**(120.6)**
Assets disposed of	**-**	-	30.5	-	**30.5**	**30.5**
Currency translation adjustment	**-**	(1.5)	(0.1)	-	**(1.2)**	**(1.2)**
Accumulated amortisation and write-downs for impairment as at 31 December	**-**	**(226.2)**	**(337.8)**	**-**	**(564.0)**	**(564.0)**
Carrying amount as at 31 December	**1,691.4**	**190.1**	**255.4**	**53.3**	**498.8**	**2,190.2**

Note 4.3

Plant and equipment

Significant accounting policies

PLANT AND EQUIPMENT
Plant and equipment are stated at their purchase price, including incremental expenses on acquisition less accumulated depreciation and any recognised impairment loss.

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

The estimated useful life for this purpose is:

- Leasehold improvements: 10 years
- Terminals: 3-5 years
- Plant and machinery: 2–12 years

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

	2021				2020			
EURm	Leasehold improve-ments	Terminals	Plant and machinery	Total	Leasehold improve-ments	Terminals	Plant and machinery	Total
Accumulated cost as at 1 January	15.4	64.3	121.2	**200.9**	13.6	50.3	118.7	**182.6**
Additions from acquisitions	-	-	-	**-**	-	20.4	4.4	**24.8**
Additions	0.5	20.7	9.4	**30.6**	2.8	8.6	12.0	**23.4**
Assets disposed of	-	(18.5)	(6.7)	**(25.2)**	-	(14.5)	(7.7)	**(22.2)**
Currency translation adjustment	1.0	(1.2)	4.6	**4.4**	(1.0)	(0.5)	(6.2)	**(7.7)**
Accumulated cost as at 31 December	**16.9**	**65.3**	**128.5**	**210.7**	**15.4**	**64.3**	**121.2**	**200.9**
Accumulated depreciation and write-downs for impairment as at 1 January	(1.7)	(32.2)	(23.9)	**(57.8)**	0.1	(35.5)	(13.2)	**(48.6)**
Depreciation	(2.3)	(14.2)	(20.5)	**(37.0)**	(2.3)	(10.5)	(22.0)	**(34.8)**
Assets disposed of	-	17.6	6.6	**24.2**	-	13.2	7.7	**20.9**
Currency translation adjustment	(0.6)	0.6	(3.2)	**(3.2)**	0.5	0.6	3.6	**4.7**
Accumulated depreciation and write-downs for impairment as at 31 December	**(4.6)**	**(28.2)**	**(41.0)**	**(73.8)**	**(1.7)**	**(32.2)**	**(23.9)**	**(57.8)**
Carrying amount as at 31 December	**12.3**	**37.1**	**87.5**	**136.9**	**13.7**	**32.1**	**97.3**	**143.1**

Terminals are leased by the Group to third-party merchants under operating leases. These operating leases are under various agreements which terminate in 2022 and 2024. The agreements include an extension option.

Note 4.4

Impairment tests

Significant accounting policies

IMPAIRMENT OF GOODWILL

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently if there is any indication that the unit may be impaired.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When determining a cash-generating unit, various factors have to be considered, including how Management monitors the operations and makes decisions.

If the recoverable amount of the cash-generating unit is less than it's carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the income statement and cannot be reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

IMPAIRMENT OF OTHER INTANGIBLE ASSETS AND PLANT AND EQUIPMENT

At each reporting date, the Group assesses whether there is any indication that its other intangible assets or plant and equipment are impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and the impairment loss (if any). If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. If the recoverable amount of an intangible asset or plant and equipment is less than its carrying value, an impairment loss is recognised immediately in the consolidated income statement.

A reversal of an impairment loss on other intangible assets or plant and equipment is recognised as and when it arises only to the extent that the carrying amount does not exceed the recoverable amount (adjusted for depreciation and amortisation), had no impairment loss been recognised.

Key accounting estimates and judgements

In 2021 the recoverable amount of goodwill has been based on a fair value less cost to sell basis. The fair value less cost to sell has been based on the price implicit in the Nexi deal announced on 15 November 2020, and completed on 1 July 2021. Following this analysis no impairment indications of goodwill exists.

The carrying amount of goodwill allocated to cash-generating units is as follows:

MERCHANT SERVICES

Merchant Services consists of goodwill recognised as part of the purchase of the Nets Group to private equity funds in 2014 and 2018, and from acquisition of activities the following years in Sweden (Payzone, DIBS Payment Services and Kortaccept Nordic), Poland (DotCard, PayPro and PeP), Denmark (Storebox) and Finland (Paytrail, Checkout and PoplaTek). Goodwill has been evaluated at aggregated level as Merchant Services is considered as one CGU. Entities are not evaluated separately, as value-added processes are generated across the Group, including synergies from combining operations, economies of scale and future growth potential.

ISSUER & ESECURITY SERVICES

Issuer & eSecurity Services consists of goodwill recognised as part of the purchase of the Nets Group to private equity funds in 2014 and 2018. Goodwill has been evaluated at aggregated level as Issuer & eSecurity Services is considered as one CGU. Entities are not evaluated separately, as value-added processes are generated across the Group, including synergies from combining operations, economies of scale and future growth potential.

EURm	2021	2020
Cash-generating unit		
Merchant Services	1,397.4	1,358.8
Issuer & eSecurity Services	316.8	309.5
Total	**1,714.2**	**1,668.3**

Note 4.5

Investment in associates

Significant accounting policies

ASSOCIATES
An associate is an entity over which the Group has significant influence. Investments in associates are recognised under the equity method.

Investments in associates are recognised in the balance sheet at the proportional share of the entity's equity value calculated in accordance with Group accounting policies.

Associates with negative equity value are measured at zero, and any receivables from these enterprises are written down, if required, based on an individual assessment. If a legal or constructive obligation exists to cover the associate's negative balance, a liability is recognised.

The income statement reflects the Group's share of the results of operations of the associate.

Any change in other comprehensive income of the associate is presented as part of the Group's other comprehensive income. In addition, when a change has been recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The proportionate share of the net profit/loss in associates after tax and elimination of the proportionate share of intra-group gains/losses is recognised in the Group's consolidated income statement.

EURm	2021	2020
Investment in associates		
Accumulated cost as at 1 January	31.9	31.9
Currency translation adjustment	-	-
Accumulated cost as at 31 December	**31.9**	**31.9**
Revaluation as at 1 January	5.3	0.7
Adjustment previous year	-	1.9
Share of result after tax	3.1	2.6
Currency translation adjustment	0.1	0.1
Revaluation as at 31 December	**8.5**	**5.3**
Carrying amount as at 31 December	**40.4**	**37.2**
Fair value recognition from business combinations	**29.0**	**29.0**
Carrying amount excluding fair value recognition from business combinations as at 31 December	**11.4**	**8.2**

	2021							2020						
						Nets' share							Nets' share	
EURm	Share	Currency	Revenue	Result for the year	Net assets	Equity	Result for the year	Share	Currency	Revenue	Result for the year	Net assets	Equity	Result for the year
Company name														
e-Boks A/S, Denmark	50%	DKK	35.9	5.5	41.8	8.2	2.8	50%	DKK	30.9	5.3	28.4	5.3	2.6
Total			**35.9**	**5.5**	**41.8**	**8.2**	**2.8**				**5.3**	**28.4**	**5.3**	**2.6**

Note 4.6

Discontinued operations

Significant accounting policies

Divestment of activities which can be clearly distinguished, operationally and for financial reporting purposes from the other business and is expected to be carried out within twelve months in accordance with a formal plan is reported as discontinuing operations.

The result after tax from discontinuing operations is presented in a separate line item in the income statement with comparative figures and is specified in this note.

Net cash from discontinuing operations is also presented in the note with comparative figures.

Assets and liabilities related to discontinuing operations are presented in separate line items as held-for-sale and are specified in the note but are presented without comparative figures.

At the time non-current assets are classified as held-for-sale an assessment of the fair value is made to identify any impairment loss from the discontinuing operations.

From the time non-current assets are held-for-sale no further depreciation or amortisation is made.

On 6 August 2019, it was announced that Nets had agreed to sell the account-to-account payment business to Mastercard for EUR 2.85 billion. On 17 August 2020, the European Commission granted a conditional clearance of the transaction, and on 5 March 2021, the transaction was completed upon receipt of all regulatory approvals and fulfilment of all customary closing conditions. Management assessed, that the signing of the agreement with Mastercard fulfilled the requirements for presenting the Group's account-to-account payment business as discontinuing operations. The activities sold to Mastercard were previously included in the business unit Corporate Services providing the payment platform for recurrent bill payments and credit transfer transactions. At the centre of this business is the ability to provide seamless and integrated solutions for recurring bill payments to corporations and consumers (e.g. Leverandørservice and Betalingsservice). It also includes solutions for real-time clearing providing instant payments.

Management has made a number of significant estimates related to the discontinuing operations. The main estimates relate to allocation of Goodwill and Other intangible assets in the concolidated balance sheet.

EURm	2021	2020
Result from discontinuing operations		
Revenue, gross	64.9	280.8
Interchange fees and processing fees	(0.1)	(1.0)
Revenue, net of interchange fees and processing fees	**64.8**	**279.8**
Cost of sales	(16.1)	(92.8)
External expenses	(33.5)	(70.3)
Staff costs	(7.1)	(35.8)
Operating result before depreciation and amortisation (EBITDA)	**8.1**	**80.9**
Gain on sale of discontinued operation	1,736.6	-
Result before tax	**1,744.7**	**80.9**
Income taxes	(5.3)	(19.4)
Result from discontinuing operations	**1,739.4**	**61.5**

External expenses and Staff cost comprises cost directly associated with the discontinued business and allocated indirect cost.

In 2020, for Goodwill and Other intangible assets a majority of the values previously allocated to the Corporate Services business was allocated to discontinued operations based on an evaluation of the individual cash inflows.

Note 4.6

Discontinued operations (continued)

EURm	2021	2020
Net cash from discontinuing operations		
Net cash from operating activities*	19.7	84.8
Net cash from investing activities	(2.3)	(16.8)
Total	**17.4**	**68.0**
Assets held-for-sale		
Goodwill	-	794.2
Other intangible assets	-	137.2
Deferred tax asset	-	160.0
Trade and other receivables	-	13.2
Contract assets	-	0.7
Prepayments	-	2.2
Total	**-**	**1,107.5**
Liabilities held-for-sale		
Trade and other payables	-	32.6
Contract liabilities	-	1.7
Current tax liabilities	-	10.2
Total	**-**	**44.5**

* Net cash from operating activities does not include a share of the Groups tax payments.

Section 5:

Funding and capital structure

This section includes disclosure information related to the equity and borrowings of the Group. In addition, the section includes financial risk management information related to the borrowings in the form of interest rate and funding risk.

In this section

Note 5.1

Share capital

Significant accounting policies

EQUITY

Dividends

Dividends expected to be distributed for the year are recognised under a separate item in equity. Dividends and interim dividends are recognised as a liability at the time of adoption by the Annual General Meeting and the meeting of the Board of Directors, respectively.

Foreign currency translation reserve

Foreign currency translation reserve comprises exchange rate differences arising from translation of the functional currency of foreign enterprises' financial information into Euro.

Translation adjustments are recognised in the consolidated income statements when the net investment is realised.

Hedge reserve

The hedge reserve comprises fair value of hedging instruments qualifying for hedge accounting. Hedge accounting ceases when the hedging certificates matures or is no longer effective. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the income statement in the same period that the non-financial asset or liability affects the income statement.

Financial comments

CAPITAL MANAGEMENT

The Group manages its capital base to ensure entities in the Group are able to continue as a going concern, and seeks to maximise the return to shareholders through adequate share of debt and equity on its balance sheet.

Within the Group, certain subsidiaries and branches are registered as payment institutions in Denmark (Nets Denmark), in Finland (Nets Denmark, Finnish Branch, Checkout Finland OY and Paytrail) and in Poland (eCard, PayPro and BillBird). Therefore, such subsidiaries and branches are subject to minimum capital requirements imposed by local authorities.

Note 5.1

Share capital (continued)

	2021		2020	
	Number of shares ('000)	Nominal value (EURm)	Number of shares ('000)	Nominal value (EURm)
Share capital				
Share capital as at 1 January	199,909	26.9	199,909	26.9
Share capital as at 31 December	**199,909**	**26.9**	**199,909**	**26.9**

The share capital of Nets A/S was established on 5 February 2016. During 2016 the share capital was increases in connection with an IPO to a total number of 200,411,094. In 2019 502,358 treasury shares were cancelled. The share capital now consists of 199,908,736 shares each with a nominal value of DKK 1, giving a total share capital of DKK 199,908,736.

Note 5.2

Borrowings and related risks

Significant accounting policies

FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, clearing-related liabilities, loans and borrowings including bank overdrafts and financial guarantee contracts.

Loans and borrowings

This is the category most relevant to the Group.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

DERIVATIVE FINANCIAL CERTIFICATES AND HEDGE ACCOUNTING

Realised fair value gains and losses deriving from terminated derivative financial instruments are recognised in the income statement as financial items.

Note 5.2

Borrowings and related risks (continued)

LOANS AND BORROWINGS
The Group has a EUR 220 million Senior Notes outstanding, with parent-guarantee and security pro-vided by Nets A/S.

The Senior Notes (EUR 220 million) are issued by Nassa Topco AS as an indirect subsidiary of Nets Topco 3 S.à.r.l.

REPAYMENT OF EXISTING DEBT IN RELATION TO THE LEVERAGED BUY OUT FACILITIES AND DE-LISTING
In February 2018 the former shareholders of Nets A/S accepted the public takeover offer by Nets Holdco 5 AS, an indirect subsidiary of Nets Topco 1 S.à.r.l., which resulted in the removal of Nets A/S' shares from trading and official listing on Nasdaq Copenhagen A/S. As a part of the takeover all existing term loans in Nets A/S and its subsidiaries were refinanced. This resulted in repayment of all term loans in Nets A/S and its subsidiaries, leaving only the Senior Notes and the RCF as external borrowings in Nets A/S and its subsidiaries.

Adjacent to this transaction Nassa Topco AS is-sued a tender to redeem the Senior Notes prior to maturity. This option was exercised by 45.1% of the noteholders, which resulted in a repay-ment of EUR 180 million bringing the notional of the Senior Notes down from EUR 400 million to EUR 220 million.

MERGER WITH NEXI S.P.A. AND REFINCNAING

On 1 July 2021 Nets A/S' ultimate parent compa-ny Nets Topco 2 S.à.r.l. merged with the Italian company Nexi S.p.A. As part of the merger a euro denominated revolving credit facility ("RCF") expiring in 2024 of EUR 240 million, which Nets A/S previously had access to draw on, was repaid in full and terminated.

LOANS FROM PARENT COMPANY
The Group has entered into four intra-group loan agreements with an indirect Parent Compa-ny from the wider corporate group above Nets A/S. These agreements are a consequence of the LBO and delisting of Nets A/S, as well as M&A activities. The loans consist of one sev-en-year loan (NOK 4,556 million), one five-year loan (EUR 354 million) and two two-year loans (EUR 95 million and EUR 3 million).

CLEARING WORKING CAPITAL FACILITIES
In addition to the Senior Notes, the Group has separate credit lines available for clearing working capital purposes; EUR 50 million on a committed basis and EUR 105 million on an uncommitted basis. In addition, a EUR 75 million money market line is available on an un-com-mitted basis. On 31 December 2021, the over-draft facilities for clearing working capital were undrawn (2020: EUR 8 million), leaving EUR 155 million undrawn (2020: EUR 292 million). In addition, the Group has three intra-day facilities available at relationship banks (EUR 300 million, EUR 105 million and NOK 400 million).

Note 5.2

Borrowings and related risks (continued)

	2021								2020
	Interest rate								
EURm	Nominal	Effective	Year of maturity	Currency	Available facility	Drawn amount	Amount hedged	Carrying amount	Carrying amount
Term and maturity of the Group's interest-bearing loans and borrowing									
Revolving Credit Facility [2]	IBOR1 + 2.25%	2.3%	2021	Multi	-	-	-	-	183.5
Senior Notes	2.875%	2.9%	2024	EUR	219.6	219.6	-	218.7	217.9
IC Loan (NOK)	NIBOR1 + 3.25%	4.1%	2025	NOK	457.5	457.5	-	457.5	444.0
IC Loan1 (EUR)	EURIBOR1 + 4.35%	4.4%	2025	EUR	-	.	-	-	79.1
IC Loan2 (EUR)	EURIBOR1 + 4.00%	4.0%	2023	EUR	94.9	94.9	-	94.9	92.0
IC Loan3 (EUR)	EURIBOR1 + 5.00%	5.0%	2025	EUR	-	-	-	-	388.8
IC Loan4 (EUR)	EURIBOR1 + 5.00%	5.0%	2021	EUR	-	-	-	-	17.9
IC Loan 5 (EUR)	EURIBOR1 + 2.92%	2.9%	2026	EUR	353.5	353.5	-	353.5	-
IC Loan 6 (EUR)	EURIBOR1 + 2.92%	2.9%	2022	EUR	3.1	3.1	-	3.1	-
Credit facility	WIBOR + 1.75%	2.8%	2023	PLN	4.4	-	-	-	-
Total long term borrowings (non-current liabilities)								**1,127.7**	**1,423.2**
Overdraft Facility (own cash)[2]	IBOR1 + 2.5%	2.5%	2025	Multi	24.0	-	-	-	-
Overdraft Facility (clearing-related balances)[3]				Multi	405.0	-	-	-	8.0
Money Market (clearing-related balances)				Multi	30.0	-	-	-	-
Total short-term borrowings (current liabilities) – Included in own cash calculation								**-**	**8.0**
Total loans and borrowings								**1,127.7**	**1,431.2**

1. For the Revolving Credit Facility and Intercompnay Loans, there is a floor of 0.0% on the EURIBOR and NIBOR.
2. Revolving Credit Facility commitment is EUR 240 million and overdraft carveout of EUR 24 million.
3. Overdraft Facility for Clearing Working Capital ("CWC") with commitment of EUR 205 million in bank lines.

Note 5.2

Borrowings and related risks (continued)

EURm	2021	2020
Net interest-bearing debt		
Total long term borrowings exclusive of lease liabilities (non-current liabilities)	1,127.7	1,423.2
Capitalised debt costs included in carrying amount	1.4	9.1
Own cash	(114.9)	(65.4)
Net interest-bearing debt	**1,014.2**	**1,366.9**

	2021					
EURm	Carrying amounts	Contractual cash flow	<1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Notes	218.7	236.8	6.3	230.5	-	-
Interest-Bearing Loan from owner	909.0	1,036.1	34.5	166.3	835.3	-
Total	**1,127.7**	**1,272.9**	**40.8**	**396.8**	835.3	**-**

	2020					
EURm	Carrying amounts	Contractual cash flow	<1 year	1-2 years	3-4 years	> 5 years
Maturity						
Senior Notes	217.9	239.9	7.5	15.1	217.3	-
Revolving Credit Facility	183.5	184.4	184.4	-	-	-
Clearing-related Facilities	8.0	8.0	8.0	-	-	-
Interest-Bearing Loan from owner	1,021.8	1,209.1	156.0	86.0	967.1	-
Total	**1,431.2**	**1,641.4**	**355.9**	**101.1**	**1,184.4**	**-**

The maturity analysis is based on undiscounted cash flows, including estimated interest. Interest is included based on current rates.

Note 5.3

Leases

The Group has entered into a number of lease agreements related to equipment. The leasing period is 3–12 years and none of the agreements include conditional payments. Some of the agreements give the Group an option to purchase the assets at a price lower than or equal to the assets' expected fair value at the date the option becomes exercisable, while others give the Group an option to extend or renew the agreement.

EURm	Property	Equipment	2021
Lease assets			
Lease assets as at 1 January 2021	69.0	6.9	75.9
Additions	4.4	3.8	8.2
Depreciation	(12.6)	(3.8)	(16.4)
Currency translation	(0.3)	(0.1)	(0.4)
Total lease assets as at 31 December 2021	**60.5**	**6.8**	**67.3**

EURm	Property	Equipment	2020
Lease assets			
Lease assets as at 1 January 2020	74.3	8.3	82.6
Additions from acquisitions	-	0.3	0.3
Additions	5.6	2.6	8.2
Depreciation	(11.3)	(4.4)	(15.7)
Currency translation	0.4	0.1	0.5
Total lease assets as at 31 December 2020	**69.0**	**6.9**	**75.9**

Leases (continued)

EURm	2021	2020
Lease liabilities		
Commitments in relation to lease liabilities are payable as follows:		
Less than 1 year	16.2	14.4
1-5 years	48.7	39.7
More than 5 years	26.7	28.7
Minimum lease payments	**91.6**	**82.8**
Future finance charges	(23.6)	(9.4)
Recognised as a liability	**68.0**	**73.4**
The present value of the lease liabilities is as follows:		
Less than 1 year	10.1	11.2
1-5 years	33.9	36.1
More than 5 years	24.0	26.1
Minimum lease payments	**68.0**	**73.4**

EURm	2021	2020
Lease, Other disclosures		
Interest expenses, lease liabilities	(2.3)	(2.3)
Total Cash outflow	(16.9)	(19.1)
Expense of Short team leases	-	-

Note 5.4

Net financials

Significant accounting policies

FINANCIAL ITEMS

Financial income and expenses comprise interest income and expenses, realised and unrealised gains, and dividends, losses on transactions denominated in foreign currencies, amortisation of loan costs and securities and subsequent changes to contingent acquisition costs.

EURm	2021	2020
Financial income		
Net foreign exchange gains	-	52.3
Other income etc.	-	12.2
Total financial income, exclusive of refinancing costs	**-**	**64.5**
Financial expenses		
Interest expense	(18.8)	(14.1)
Interest expense to Parent Company	(29.5)	(34.5)
Interest expense lease liabilities	(2.3)	(2.3)
Net foreign exchange loss	(60.7)	-
Fair value adjustment of financial liabilities	(2.5)	-
Amortisation of transaction costs	(7.8)	(5.1)
Other fees etc.	(5.4)	(7.4)
Settlement of interest swaps	(7.7)	-
Total financial expenses, exclusive of refinancing costs	**(134.7)**	**(63.4)**
Financial income and expenses, net	**(134.7)**	**1.1**

Note 5.5

Interest risk management

The Group is exposed to interest rate risk on loans, credits and cash balances as well as mismatches on maturities between loans and cash, resulting in variable interest cash flows. The Group's loan arrangements are based on variable interest rates. Cash held at variable rates partly offsets risk arising from changing interest rates on the Group's loans and credits.

EURm	Variable, non-contractual	Contractual variable rates < 1 month	Total
Exposure to changes in interest rates			
Cash and cash equivalents	358.4	-	**358.4**
Bank Loans	-	218.7	**218.7**
Overdraft Facilities	-	-	**-**
Net	**358.4**	**218.7**	**577.1**

A probable change in interest rates compared to the interest as at the balance sheet date would have the following hypothetical impact on profit before tax and the Group's equity, based on the exposure of balances as at 31 December.

	2021			**2020**		
EURm	**Probable change in interest**	**Hypothetical impact on result for the year**	**Hypothetical impact on equity**	**Probable change in interest**	**Hypothetical impact on result for the year**	**Hypothetical impact on equity**
Borrowings	1 p.p.	5	-	1 p.p.	(8.1)	(0.2)

An increase in the interest rate of 1 p.p. would only affect result for the year with regards to the unhedged borrowings in EUR and NOK and the Revolving Credit Facility.

An increase in the interest rate of 1 p.p. would only affect equity with regards to float to fixed rate hedging certificates.

Note 5.6

Other Liabilities

Other liabilities consist of deferred considerations of EUR 13.0 million and Put-option liabilities of EUR 12.7 million related to the Groups merger and acquisition activities. Liabilities has been measured in accordance with the earn-outs/put-options clauses in the various agreements based on Management best view on key input to estimate the discounted future cashflow obligations.

Note 5.7

Commitments, contingencies and collaterals

Significant accounting policies

COMMITMENTS

The Group has entered into a number of long-term service agreements.

CONTINGENCIES

The Group is engaged in certain litigation proceedings. In the opinion of Management, settlement or continuation of these proceedings is not expected to have a material effect on the Group's financial position, operating profit or cash flow.

Section 6:

Tax and Governance

This section includes disclosures that relate to the Group's Tax and Governance policies.

In this section

Note 6.1

Income and deferred income taxes

Significant accounting policies

INCOME TAXES

Tax for the year comprises current income tax, change in deferred tax and adjustments from prior years. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, as at the reporting date in the countries where the Group operates and generates taxable income. Deferred tax arises due to temporary differences between the carrying amount in the consolidated financial statements and the tax base of assets and liabilities as at the balance sheet date. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill and other items where amortisation for tax purposes is disallowed.

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

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries that will be effective under the legislation as at the balance sheet date when the deferred tax is expected to be realised or the liability settled.

Changes in deferred tax as a result of changes in tax rates are recognised in the consolidated income statements except for the effect of items recognised directly in Other comprehensive income.

Deferred tax assets and liabilities are offset in the Consolidated statement of financial position if the Group has a legally enforceable right to offset and the deferred tax assets and liabilities relate to the same legal tax entity.

The companies in the Group are taxed under the on-account tax scheme. Interest/refunds relating to the tax payment are included in interest income and expense and similar items.

Note 6.1

Income and deferred income taxes (continued)

Key accounting estimates and judgements

DEFERRED TAX ASSETS

The Group recognizes deferred tax assets including the expected tax value of tax loss carry-forward if Management assesses that these tax assets can be offset against positive taxable income in the near future. This judgement is made annually and is based on budgets and business plans for coming years, including planned commercial initiatives.

As of 31 December 2021, the carrying amount of the deferred tax assets was EUR 25.5 million (2020: 28.5 million) and unrecognized tax losses amounted to EUR 6.8 million (2020: EUR 0.6 million)

EURm	2021	2020
Income taxes expensed		
Current tax on result for the year	(30.7)	8.3
Deferred tax on result for the year	28.0	2.4
Adjustments related to previous years – current tax	0.5	5.6
Income taxes in the Income statement	**(2.2)**	**16.3**

EURm	2021	2020
Income taxes paid		
Income taxes paid in Denmark	(175.4)	(16.8)
Income taxes paid outside Denmark	(16.9)	(5.1)
Total income taxes paid	**(192.3)**	**(21.9)**

The tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

EURm	2021	2020
Result before tax	**(71.5)**	**(13.1)**
Income tax expense calculated at domestic tax rate	15.7	2.9
Deviation in foreign subsidiaries' tax rates compared with Danish tax rate	1.3	0.5
Permanent differences [1]	(7.1)	(9.8)
Not recognised tax losses utilised or capitalised	(6.6)	0.2
Currency translation adjustment	(5.5)	12.6
Change in income tax rates on deferred tax	-	-
Other taxes	-	9.9
Income tax expense recognised in the income statement	**(2.2)**	**16.3**

EURm	2021	2020
Computation of effective tax rate percentage		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Deviation in foreign subsidiaries' tax rates compared with Denmark tax rate	1.8%	4.0%
Permanent differences [1]	(9.8%)	(74.3%)
Not recognised tax losses utilised or capitalised	(9.3%)	1.4%
Currency translation adjustment	(7.7%)	95.9%
Change in income tax rates on deferred tax	-%	-%
Other taxes	-%	75.5%
Effective tax rate	**(3.1%)**	**124.5%**

[1] Permanent differences mainly include non-deductible M&A expenses and non-deductible finance cost.

Note 6.1

Income and deferred income taxes (continued)

EURm	Intangible assets	Plant & equipment	Other receiv-ables	Employee benefits obligation	Deferred tax losses carried forward	Total
	2021					
Development in deferred income tax assets and liabilities						
Net deferred tax assets/(liabilities) as at 1 January	(78.7)	1.9	3.6	0.5	18.2	**(54.5)**
Deferred tax on result for the year	24.9	2.6	0.3	(0.6)	(0.7)	**26.5**
Adjustment to previous year tax	(0.9)	0.4	0.1	0.4	(0.3)	**(0.3)**
Currency translation adjustment	0.4	0.1	-	-	(0.5)	**-**
Net deferred tax assets/(liabilities) as at 31 December	**(54.3)**	**5.0**	**4.0**	**0.3**	**16.7**	**(28.3)**
Classified as follows:						
Deferred tax asset as at 31 December						25.5
Deferred tax liability as at 31 December						53.8

EURm	Intangible assets	Plant & equipment	Other receiv-ables	Employee benefits obligation	Deferred tax losses carried forward	Total
	2020					
Development in deferred income tax assets and liabilities						
Net deferred tax assets/(liabilities) as at 1 January	(61.1)	2.8	0.6	0.7	2.4	**(54.6)**
Additions from acquisitions	(15.3)	0.4	-	-	-	**(14.9)**
Deferred tax on result for the year	(0.3)	(1.1)	0.9	(0.2)	7.2	**6.5**
Adjustment to previous year tax	(1.6)	-	2.2	-	8.6	**9.2**
Currency translation adjustment	(0.4)	(0.2)	(0.1)	-	-	**(0.7)**
Net deferred tax assets/(liabilities) as at 31 December	**(78.7)**	**1.9**	**3.6**	**0.5**	**18.2**	**(54.5)**
Classified as follows:						28.5
Deferred tax asset as at 31 December						83.0
Deferred tax liability as at 31 December						

Note 6.2

Related party transactions

RELATED PARTY TRANSACTIONS
As at 31 December 2021 the Group was 100% owned by Nets Holdco 5 AS. The ultimate parent of the Group is Nexi S.p.A. (Italy).

Related parties with significant influence are the Board of Managers, Key Personnel and their related parties. Furthermore, related parties are companies in which the above persons have significant interests, as well as associates of the Group. All transactions with related parties are made on arm's length terms except the preferred equity certificates as described in Note 5.2 and 7.1.

Transactions with associated companies, comprise mainly administrative services amounting to EUR 2.2 million.

There were no transactions with members of the Board of Managers and other Key Personnel, other than remuneration, and furthermore, no loans were granted to the Board of Managers or other Key Personnel in 2021.

REMUNERATION OF THE BOARD OF MANAGERS AND KEY PERSONNEL
Short-term benefits included fixed-base salary and accrued cash bonuses designed to incentivise individual performance and the achievement of a number of predefined short-term functional and individual business targets linked to goals in the Group's balanced scorecard.

At year-end 2021, Key Personnel consisted of seven members (2020: eight members).

In recent years, certain employees of the Group participated in a management equity programme which allowed them to acquire shares in the previous parent company, Nets TopCo 1 S.à r.l. The investment was made at fair market value at the time of investment in the programme and therefore no benefit, hence, there is no expenditure and therefore no effect on either the balance sheet or on the income statement of the Group.

In connection with the closing of the merger with the Italian based Nexi-Group the shares were converted into shares in the listed entity, Nexi S.p.A., with a lock-up period.

	2021			2020		
EURm	**Board of Managers**	**Key Personnel***	**Total**	**Board of Managers**	**Key Personnel***	**Total**
Fixed base salary	(0.1)	(2.2)	**(2.3)**	(0.1)	(2.5)	**(2.6)**
Bonus	-	(6.9)**	**(6.9)**	-	(2.0)	**(2.0)**
Pensions	-	(0.3)	**(0.3)**	-	(0.3)	**(0.3)**
Benefits	-	(0.2)	**(0.2)**	-	(0.2)	**(0.2)**
Total remuniration	**(0.1)**	**(9.6)**	**(9.7)**	**(0.1)**	**(5.0)**	**(5.1)**

* Includes Key Personnel that is part of the discontinued operations.
** In 2021, the figure contains elements of exit bonuses and other one off elements.

Note 6.3

Share-based payment

Accounting policies

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

EMPLOYEE SHARE PROGRAMME

In August 2019 an all Employee share program was announced with the purpose of giving all employees of the Nets Group the opportunity to become co-owners of the Nets Group. Under the program employees could invest in the Nets Group and have their investment matched with two free shares if participating employees are employed when the Nets Group is either sold or if its shares are offered in an initial Public Offering.

The matching shares were granted at 13 December 2019 and were expected to vest 36 months from grant date. The total value of the programme at grant date amounts to EUR 7.9 million. In connection with the Nexi transaction a change of control clause was triggered and the remaing value of the programme was recognised. The cost recognised in 2021 amounts to EUR 6.3 million (2020: 1.5 million).

LONG TERM INCENTIVES

In 2021, following the merger with Nexi Group, the Nets Group adopted Nexi Group's medium/long-term incentive Plan.. The Plan is structured with a three-year duration (2021-2023) and envisages the assignment of rights to receive ordinary shares in Nexi S.p.A. at vesting (31 December 2023).

The rights are not subject to any voting rights or dividend distribution. The rights to be assigned in the context of the LTI plan are divided up into:

- Performance Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) only upon achieving predetermined business performance objectives, referring to a specific period of time; and
- Restricted Share Rights, i.e. the rights to receive ordinary shares in the Company, which accrue (and therefore the attribution of the related shares to the employee) regardless of whether or not the predetermined business performance objectives are achieved. These rights will accrue after the vesting period, subject to the beneficiary remaining in the Company.

A condition for the accrual of the rights and, therefore, the attribution of the shares for both the types described above is that the employee remains in service until the delivery date of the share attribution letter. More specifically, with reference to Performance Share Rights:

- accrual is first and foremost subject to achieving - at the end of the Vesting Period of each Cycle - at least 80% of the Operating Cash Flow Target (the "Entry Gate");
- once the Entry Gate is satisfied, accrual of Performance Share Rights is also subject to achieving specific objectives at the end of the related Vesting Period, comprising two components:
- a market-based component, linked to the achievement of objectives related to the performance of the market price of Nexi shares with respect to a benchmark, during the measurement period (weighing for 50%). The benchmark is determined as the mathematical average of three market indicators identified in the Plan regulation;
- a non-market-based component, linked to the achievement of the Company's performance objectives in terms of Operating Cash Flow (weighing for 50%)

Changes in the number of rights assigned are reported below:

Description	No. of Performance shares	No. of Restricted Shares	Total
Outstanding rights at the grant date	401.356	282.089	683.445
Accrued rights	(156)	(365)	(521)
Forfeited rights in 2021	-11.345	-8.461	-19.806
Outstanding rights at 31 dicembre 2021	**389.855**	**273.263**	**663.118**

Share-based payment (continued)

The rights assigned were measured, reflecting the financial market conditions valid as at the grant date. Determination of the total plan value, as established by IFRS 2, is impacted by the number of rights that will accrue in accordance with the rules set out by the performance and Fair Value conditions of each right. Measurement was carried out considering the two components of the Performance Shares and Restricted Shares included in the plan, separately.

Moreover, within the Performance Share component, consideration was given to the presence of the aforesaid specific objectives. More specifically, the market-based component was estimated using the Monte Carlo Method, a stochastic simulation technique which, based on a set of starting conditions, produces a wide array of outcomes within a specified time horizon.

Starting conditions for the simulation include an expected dividend yield of zero for the 2019-2021 time interval so as to also reflect the Board of Directors' resolutions dating February 13, 2019 concerning the distribution of dividends. Based on market sources at the reference date, other starting conditions include a risk-free rate in Nexi share returns of 1% p.a. and a share price volatility of 40% (reasonable estimates based on historical volatility as at the measurement date).

At the grant date the simulation delivered a unit value of Euro 20,17 for right assigned on July and Euro 17,63 for those assigned in October 2021. As for the likelihood of beneficiaries leaving, the annual exit probability was assumed to be zero. In accordance with IFRS 2, the non-market-based component is a condition that rather than be measured at the time of assignment is to be updated periodically at each reporting date, so as to take into account the expectations in relation to the number of rights that may accrue. For these components the unit Fair Value is Euro 18,22 for right assigned on July and 17,03 Euro for those assigned in October 2021.

The overall cost of the plan for 2021 was about Euro 2 million.

Note 6.4

Fee to statutory auditors

EURm	2021	2020
Remuneration to Auditors (PwC as elected by the Annual General Meeting)		
Statutory audit	**(1.0)**	**(1.0)**
Non-statutory audit services:		
Other assurance engagements	(0.4)	(0.9)
Tax advisory services	(0.1)	-
Other services	0.0	(0.5)
Total non-statutory audit services	**(0.5)**	**(1.4)**
Total	**(1.5)**	**(2.4)**

The fee for services other than the statutory audit of the financial statements provided by several PwC member firms to the Group consists of services related to Mergers & Acquisitions, business optimisation, and other accounting and tax services including IT.

Section 7:

Other disclosures

Included in this section are disclosures which are material to the financial statements from either a quantitative or a qualitative perspective, but which do not directly relate to a specific theme section.

In this section

Note 7.1

Pension assets and pension obligations, net

Significant accounting policies

PENSIONS

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

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

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

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

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

Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

Note 7.1

Pension assets and pension obligations, net (continued)

Key accounting estimates and judgements

DEFINED BENEFIT PENSION PLANS

The Group has defined benefit pension plans mainly in Norway. The defined benefit plans have been closed and settled in 2021.

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

EURm	2021	2020
Assets and obligations		
Specification of pensions		
Fair value of plan assets	-	6.2
Projected benefit obligations	-	(10.2)
Pension assets/(obligations) recognised in the balance sheet	**-**	**(4.0)**
Change in pension assets/(obligations) recognised in the balance sheet		
Pension assets/(obligations) recognised in the balance sheets as at 1 January	(4,0)	(4.0)
Additions from aquisitions	-	(0.2)
Pension (costs)/income recognised in the income statement	-	(0.2)
Actuarial gain/(loss) on projected benefit obligations and plan assets recognised in Other comprehensive income	(0.1)	(0.3)
Gain on plan assets	0.1	0.1
Nets' contribution	(0.8)	0.2
Benefit paid to employees	0.3	-
Settlement/Curtailment	4.6	0.3
Currency translation adjustment	-	0.1
Pension assets/(obligations) recognised in the balance sheet as at 31 December	**-**	**(4.0)**

	Assumptions		2021 Sensitivity		2020 Sensitivity	
	2021	2020	+1 %-point	(1 %-point)	+1 %-point	(1 %-point)
Discount rate	-	1.7%	-	-	(1.9)	2.0
General wage inflation	-	2.3%	-	-	0.1	(0.1)
Expected regulation of minimum payment	-	1.5%	-	-	1.0	(1.1)

The assumptions used for the actuarial valuation of the pension obligation are based on regularly used assumptions within insurance for demographic factors. The Group has used a mortality rate in accordance with the Norwegian K2013 table.

The table above shows the estimated impact of some of the risks that the Group is exposed to.

The Group is also exposed to fluctuations in the market value of assets. For some of these risks, if the defined benefit obligation rises or falls, the market value of assets may move in the opposite direction, thereby eliminating part of the risk.

EURm	2021	2020
Expected maturity of projected benefit obligations		
Within 1 year	-	(0.8)
1–5 years	-	(2.1)
Beyond 5 years	-	(7.3)
Total	**-**	**(10.2)**

Note 7.2

Classification of financial assets and financial liabilities

FAIR VALUE MEASUREMENT HIERARCHY

The carrying values and fair values are identical, except for bank loans measured at amortised cost. Refer to Note 5.2 for carrying amounts and nominal value of bank loans. Fair value of bank loans is assumed to be similar to the nominal value.

THE METHODS AND ASSUMPTIONS ARE AS FOLLOWS:

- the fair value of financial assets and liabilities traded in active markets is based on quoted market prices as at the balance sheet date (Level 1).
- the fair value of financial assets and liabilities is based on inputs other than quoted prices included in Level 1 that are observable either directly or indirectly i.e. floating rate bank loans (Level 2).
- the fair value of financial assets and liabilities which are highly liquid and have a short duration is estimated to have a fair value that is identical with the book value (Level 3).

2021

EURm	Financial assets and liabilities measured at fair value	Financial assets and liabilities measured at amortised cost	Total
Financial assets and liabilities			
Trade and other receivables	-	153.7	153.7
Contract assets	-	17.2	17,2
Settlement assets	-	485.2	485.2
Receivables from Group enterprises	-	-	-
Cash at bank and on hand	-	358.4	358.4
Other financial assets[3]	11.9	-	11.9
Total financial assets	**11.9**	**996.5**	**1,008.4**
Borrowings	-	(218.7)	(218.7)
Liabilities to Group enterprises	-	(1,071.9)	(1071.9)
Bank overdraft	-	-	-
Trade and other payables	-	(264.2)	(264.2)
Contract liabilities	-	(8.0)	(8.0)
Merchant creditors	-	(562.1)	(562.1)
Settlement obligations	-	(166.6)	(166.1)
Other liabilities[2,4]	(25.6)	-	(25.6)
Lease liabilities	-	(68.0)	(68.0)
Other financial liabilities[1]	(2.1)	-	(2.1)
Total financial liabilities	**(27.7)**	**(2,026.3)**	**(2,054.0)**
Total net financial assets/(liabilities)	**(15.8)**	**(1,350.4)**	**(1,366.2)**

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is based on expected future cash flows discounted to its present value.
[3] Level 3 in the fair value hierarchy. Ownership in VN Norge AS is considered to be a financial asset in line with shares and other securities. The valuation is based on input from VN Norge AS.
[4] Level 2 in the fair value hierarchy.

2020

EURm	Financial assets and liabilities measured at fair value	Financial assets and liabilities measured at amortised cost	Total
Financial assets and liabilities			
Trade and other receivables	-	148.1	148.1
Contract assets	-	27.7	27.7
Settlement assets	-	461.8	461.8
Receivables from Group enterprises	-	82.4	82.4
Cash at bank and on hand	-	189.7	189.7
Other financial assets[3]	9.0	-	9.0
Total financial assets	**9.0**	**909.7**	**918.7**
Borrowings	-	(401.4)	(401.4)
Liabilities to Group enterprises	-	(1,046.2)	(1,046.2)
Bank overdraft	-	(8.0)	(8.0)
Trade and other payables	-	(307.7)	(307.7)
Contract liabilities	-	(4.2)	(4.2)
Merchant creditors	-	(450.5)	(450.5)
Settlement obligations	-	(127.0)	(127.0)
Other liabilities[2,4]	(345.4)	-	(345.4)
Lease liabilities	-	(73.4)	(73.4)
Other financial liabilities[1]	(1.1)	-	(1.1)
Total financial liabilities	**(346.5)**	**(2,418.4)**	**(2,764.9)**
Total net financial assets/(liabilities)	**(337.5)**	**(1,508.7)**	**(1,846.2)**

[1] Level 1 in the fair value hierarchy.
[2] Level 3 in the fair value hierarchy. The valuation is based on expected future cash flows discounted to its present value.
[3] Level 3 in the fair value hierarchy. Ownership in VN Norge AS is considered to be a financial asset in line with shares and other securities. The valuation is based on input from VN Norge AS.
[4] Level 2 in the fair value hierarchy.

Note 7.3

Standards issued but not yet effective

The standards and interpretations which have been issued, but are not yet effective, up to the date of issuance of the Group's financial statements, and which are considered to have an effect on the Group, are disclosed below.

New standards and amendments which are not yet effective and which are not considered to have an impact on the Group are not disclosed. The Group intends to adopt these standards, if applicable, when they become effective.

Currently there are no new standards, amendments and interpretations which have been adopted by the IASB and adopted by the EU, which are relevant to Nets.

Note 7.4

Events after the balance sheet date

No significant events affecting the Annual Report for 2021 have occurred subsequently to 31 December 2021.

Note 7.5

Companies in the Group

Company	Structure	Currency	Ownership
Parent company			
Nets A/S			
Denmark			
Nassa A/S	Subsidiary	DKK	100%
Nets Holding A/S	Subsidiary	DKK	100%
Nets Denmark A/S	Subsidiary	DKK	100%
Nets DanID A/S	Subsidiary	DKK	100%
Nets Cards Processing A/S	Subsidiary	DKK	100%
Signaturgruppen A/S	Subsidiary	DKK	100%
Storebox ApS	Subsidiary	DKK	100%
e-Boks A/S	Associate	DKK	50%
Norway			
Nassa Topco AS	Subsidiary	NOK	100%
EDIGard AS	Subsidiary	NOK	100%
Sweden			
Nets Sweden AB	Subsidiary	SEK	100%

Company	Structure	Currency	Ownership
Finland			
Paytrail Oyj	Subsidiary	EUR	100%
Paytrail Technology Oy	Subsidiary	EUR	100%
Checkout Finland Oy	Subsidiary	EUR	100%
Poplatek Oy	Subsidiary	EUR	100%
Poplatek Payments Oy	Subsidiary	EUR	100%
Estonia			
Nets Estonia AS	Subsidiary	EUR	100%
Poland			
P24 Dotcard Sp. z o.o.	Subsidiary	PLN	100%
PayPro S.A.	Subsidiary	PLN	100%
eCard S.A.	Subsidiary	PLN	100%
Rementi Investments S.A.	Subsidiary	PLN	100%
Centrum Rozliczen Elektronicznych Polskie ePlatnosci S.A.	Subsidiary	PLN	100%
Polskie ePlatnosci Sp. z o.o.	Subsidiary	PLN	100%
BillBird S.A.	Subsidiary	PLN	100%
TopCard Sp. z o.o.	Subsidiary	PLN	100%

Note 7.6

Financial definitions

Key figures and financial ratios stated in the consolidated financial statements have been calculated as follows:

Growth in revenue, reported	Absolute revenue growth / Revenue in comparative period
Growth in revenue, underlying	Organic growth is a measure of growth adjusting for commercial rebasing of issuer contracts and non-recurring eID revenue
EBITDA b.s.i. *	EBITDA before special items
EBITDA before special items margin, % *	EBITDA before special items / Net revenue
Special items *	As defined in Note 2.2
EBITDA *	Earnings before interest, tax, depreciation, amortisation and impairment losses
Underlying depreciation and amortisation	Depreciation & amortisation adjusted for amortisation of business combination intangibles & impairment losses
Adjusted EBIT *	EBITDA before special items and adjusted for underlying depreciation and amortisation
EBIT	Earnings before interest and tax (operating profit)
Capital expenditure (CAPEX)	Purchase of intangible assets and plant & equipment and capitalised development projects for the year, excluding acquisition of subsidiaries

Cash flow from operating activities excl. clearing-related balances	Operating cash flow excluding clearing-related cash flow
Narrow working capital	As defined in Section 3
Operating free cash flow	Cash flow from EBITDA adjusted for change in narrow working capital and CAPEX
Own cash	Cash and cash equivalents excluding clearing-related balances and other proceeds received in cash to be passed through
Net interest bearing debt (NIBD)	Interest bearing debt net of own cash and clearing-related borrowings
Cash conversion ratio	Operating free cash flow adjusted for special items / EBITDA before special items
Clearing-related balances	As defined in Section 3
Equity ratio	Equity of the Group / Total assets

*This key figure, ratio or element thereof is a non-IFRS financial measure.

Financial statements

Parent Company

In this section

Income statement for the Parent Company

EURm	Note	2021	2020
Revenue	2	4.2	0.9
External expenses		(0.9)	(30.3)
Staff costs	3	(8.3)	(4.5)
Amortisation	5	(13.8)	(12.0)
Operating result (EBIT)		**(18.8)**	**(45.9)**
Dividend from subsidiaries		2,043.8	54.2
Financial income	4	1.4	0.3
Financial expenses	4	(5.3)	(3.8)
Net financials		**2,039.9**	**50.7**
Result before tax		2,021.1	4.8
Income taxes		3.3	5.5
Result for the year		**2,024.4**	**10.3**
Proposed appropriation of result			
Dividend		2,043.8	0.0
Retained earnings		(19.4)	10.3
Total appropriation		**2,024.4**	**10.3**

Balance sheet for the Parent Company

EURm	Note	2021	2020
Assets			
Non-current assets			
Intangible assets	5	60.2	62.6
Deferred tax assets		-	-
Investment in subsidiaries	6	1,437.9	1,437.4
Total non-current assets		**1,498.1**	**1,500.0**
Current assets			
Prepayments		-	0.1
Receivables from Group enterprises		256.0	65.3
Other financial assets		0.7	-
Current tax receivables		1.5	19.5
Cash and cash equivalents		0.5	1.7
Total current assets		**258.7**	**86.6**
Total assets		**1,756.8**	**1,586.6**

EURm	Note	2021	2020
Equity and liabilities			
Equity			
Share capital		26.9	26.9
Reserves		1,344.0	1,362.1
Total equity		**1,370.9**	**1,389.0**
Non-current liabilities			
Deferred tax liabilities		10.7	13.8
Total non-current liabilities		10.7	13.8
Current liabilities			
Trade and other payables	7	7.8	33.7
Current tax liabilities		-	-
Payables to Group enterprises		367.4	150.1
Total current liabilities		**375.2**	**183.8**
Total liabilities		**385.9**	**197.6**
Total equity and liabilities		**1,756.8**	**1,586.6**

Statement of changes in equity for the Parent Company

EURm	Share capital	Currency translation reserve	Retained earnings	Total equity
2021				
Equity as at 1 January	26.9	6.0	1,356.1	**1,389.0**
Net result for the year	-	-	2,024.4	**2,024.4**
Currency translation adjustment	-	0.5	-	**0.5**
Dividend	-	-	(2,043.8)	**(2,043.8)**
Share based payment	-	-	0.8	**0.8**
Total changes in equity	**-**	**0.5**	**(18.6)**	**(18.1)**
Equity as at 31 December	**26.9**	**6.5**	**1,337.5**	**1,370.9**
2020				
Equity as at 1 January	26.9	-	1,344.3	**1,371.2**
Net result for the year	-	-	10.3	**10.3**
Currency translation adjustment	-	6.0	-	**6.0**
Share based payment	-	-	1.5	**1.5**
Total changes in equity	**-**	**6.0**	**11.8**	**17.8**
Equity as at 31 December	**26.9**	**6.0**	**1,356.1**	**1,389.0**

Note 1

Accounting policies

The financial statements of the Parent Company have been prepared in accordance with the Danish Financial Statements Act (Class medium-sized C).

The accounting policies for the financial statements of the Parent Company are the same as for the consolidated financial statements with the additions described below. For a description of the accounting policies of the Group, please refer to Section 1 in the consolidated financial statements.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

Financial assets

In the financial statements of the Parent Company, investment in subsidiaries and associated companies are recorded at their acquisition cost. The recognised value is adjusted only if the recognised value of the investment exceeds the recoverable amount.

Dividend or other direct payments received from subsidiaries or associates are recognised as income from financing and investing activities and presented in the income statement.

Fair value of share options issued to employees of the subsidiaries of Nets A/S is accounted for as a capital contribution over the vesting period, whereby it is recorded as an addition during the year. Payments received from subsidiaries to compensate Nets A/S upon an employee's exercise of share options are, conversely, deducted from the accumulated cost of investments in subsidiaries.

TAX

For Danish tax purposes, all Danish entities are assessed jointly. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All current taxes under the scheme are recorded in the individual companies.

STATEMENT OF CASH FLOWS

No separate statement of cash flows has been prepared for the Parent Company; please refer to the consolidated statement of cash flows.

Note 2

Revenue

EURm	2021	2020
Group services (Wages and salaries etc)	4.2	0.9
Total	**4.2**	**0.9**

Note 3

Staff costs

EURm	2021	2020
Staff costs		
Wages and salaries	(1.2)	(1.4)
Bonus	(6.0)	(1.3)
Share-based payment costs	(0.8)	(1.5)
Pensions - defined contribution plans	(0.1)	(0.1)
Other employee costs	(0.2)	(0.2)
Total employee costs for the year	**(8.3)**	**(4.5)**
Average number of full-time employees	2	2
Year-end number of full-time employees	1	2

For information regarding remuneration of the Board of Directors and the Executive Management, please refer to Note 6.2 in the consolidated financial statements.

For information regarding share-based payment, please refer to Note 6.3 in the consolidated financial statements.

Note 4

Net financials

EURm	2021	2020
Financial income		
Net foreign exchange gains	0.3	-
Interest income from Group enterprises	1.1	0.3
Total financial income	**1.4**	**0.3**
Financial expenses		
Interest expenses to Group enterprises	(5.1)	(3.5)
Other fees etc.	(0.2)	(0.3)
Total financial expenses	**(5.3)**	**(3.8)**

Note 5

Intangible assets

2021	Other intangible assets	
EURm	Software	Intangible assets
Accumulated cost as at 1 January	74.6	74.6
Additions	11.2	11.2
Currency translation adjustment	0.2	0.2
Accumulated cost as at 31 December	**86.0**	**86.0**
Accumulated amortisation and write-down for impairment as at 1 January	(12.0)	(12.0)
Amortisation	(13.8)	(13.8)
Accumulated amortisation and write-down for impairment as at 31 December	(25.8)	(25.8)
Carrying amount as at 31 December	**60.2**	**60.2**

Note 6

Investment in subsidiaries

EURm	2021	2020
Investment in subsidiaries		
Accumulated cost as at 1 January	1,423.5	1,423.5
Addition during the year	-	-
Accumulated cost as at 31 December	**1,423.5**	**1,423.5**
Revaluation as at 1 January	13.9	8.0
Currency translation adjustment	0.5	5.9
Revaluation as at 31 December	**14.4**	**13.9**
Carrying amount at 31 December	**1,437.9**	**1,437.4**

EURm

Company name	Share	Currency	Annual report	Equity	Profit for the year
Nassa Topco AS	100%	DKK	2020	13,539	1,226
Total				**13,539**	**1,226**

Note 7

Trade and other payables

EURm	2021	2020
Employee cost payable	0.8	1.1
Trade payables	7.0	32.6
Total	**7.8**	**33.7**

Note 8

Contingent liabilities

Nets A/S and its Danish subsidiaries are jointly taxed with the Danish companies in the Nets A/S Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The taxes for the individual companies are allocated in full on the basis of the expected taxable income.

For information on pending litigation and other contingencies, please refer to Note 5.7 in the consolidated financial statements.

Note 9

Related party transactions

For information on transactions with related parties, please refer to Note 6.2 in the consolidated financial statements.

Glossary*

Acceptance – a service that allows merchants to accept card payments

Acquiring services (merchant acquiring) – the act of handling credit or debit card payments on behalf of a merchant

Artificial intelligence (AI) – intelligence exhibited by machines

Authentication – the process of recognising a user's identity

Avtalegiro – a service offered by Nets in Norway for automatic invoicing and payment of recurring bills

BankAxept – a domestic payment scheme owned by Norwegian banks. Nets operates the common operating infrastructure for BankAxept's debit card

BankID – a digital identity solution in Norway operated by Nets on behalf of banks

Betalingsservice – a direct debit solution offered by Nets to Danish corporates and their customers

Biometrics – metrics related to human characteristics, such as fingerprint, iris and face recognition or behavioural patterns such as typing patterns, used a.o. for access control

Blockchain – a distributed ledger technology / decentral database

Clearing – the process of reconciliation of orders between transacting parties

CMS – Consumer Management Services

Contactless transactions – payment card transactions carried out in-store without the consumer having to insert their card into a terminal or enter their PIN

Dankort – the Danish domestic debit card owned and operated by Nets

Digital identity – information on an entity used by computer systems to represent an external agent. That agent may be a person, organisation, application, or device

Digital login – login details to log on to a digital mailbox or similar

Direct debit payment – (Betalingsservice) an instruction from a consumer to their bank, authorising the receiver, usually a corporate, to collect varying amounts from the consumer's account, provided the account holder has been given advanced notice of the amount and date of collection

e-commerce (electronic commerce) – a transaction of buying or selling online

eFaktura – Nets' Norwegian e-billing service

Fintech – Nets and other providers of new solutions which demonstrate innovative development of applications, processes, products or business models in the financial services industry

Fraud & Dispute Services – card fraud management and dispute handling

General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) – a regulation intended to strengthen and unify data protection for individuals within the EU and which also addresses export of personal data outside the EU

Instant payments – refer to 'real-time clearing'

Internet of Things (IoT) – machine-to-machine communication. Payment IoT enables automatic payment when objects are linked to the internet

Issuer processing (front-end processing) – processing of card-based transactions on behalf of issuing banks

Malware – short for 'malicious software'. Software used to disrupt computer or mobile operations, gather sensitive information or gain access to private computer systems

Merchant acquiring – refer to 'acquiring services'

MitID - a national next generation eID solution offered by Nets to Danish citizens, corporates, banks and the public sector on behalf of Digitaliseringsstyrelsen

NemID – a national digital identity solution offered by Nets to Danish citizens, corporates, banks and the public sector on behalf of Digitaliseringsstyrelsen

Payment processor – a company appointed by a merchant to handle transactions from various channels such as credit cards and debit cards, front-end and/or back-end

PCI DSS (The Payment Card Industry Data Security Standard) – a proprietary information security standard for organisations that handle branded credit cards

Phishing – the attempt to obtain sensitive information such as usernames, password, and credit card details by posing as a trustworthy entity in an electronic communication

Point-of-sale (POS) – the check-out at a store

Real-time clearing (RealTime24/7) – a Nets product allowing instant clearing and settlement of payments

Robotics – the use of intelligent computer systems within areas such as fraud prevention and customer service

Settlement – the completion of a transaction, wherein the seller transfers securities or financial certificates to the buyer and the buyer transfers money to the seller

* Terms are explained in the context of this report