

MobilePay Denmark A/S

Holmens Kanal 2-12

DK-1060 Copenhagen K

CVR no. 38 29 21 88

**Annual report for the period 23 December 2016
– 31 December 2017**

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

Chairman

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Company details

Company

MobilePay Denmark A/S

Holmens Kanal 2-12, DK-1060 Copenhagen K

CVR no.: 38 29 21 88

Financial year: 23 December 2016 – 31 December 2017

Date of incorporation: 23 December 2016

Registered office: Copenhagen

Tel.: +45 45 14 44 47

Internet: www.mobilepay.dk

E-mail: mobilepay@mobilepay.dk

Board of Directors

Jesper Nielsen (Chairman)

Tonny Thierry Andersen (Vice Chairman)

James Martin Ditmore

Flemming Stig Pristed

Jeanette Løgstrup

Executive Board

Mark Majgaard Wraa-Hansen (CEO)

Janne Dyrlev

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6, DK-2300 Copenhagen S

General meeting

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

Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of MobilePay Denmark A/S for the financial year 23 December 2016 – 31 December 2017.

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

In our opinion, the annual financial statements give a true and fair view of the Company's assets and liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 23 December 2016 – 31 December 2017.

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

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

Copenhagen, 22 March 2018

Executive Board

Mark Majgaard Wraa-Hansen
CEO

Janne Dyrlev

Board of Directors

Jesper Nielsen
Chairman

Tonny Thierry Andersen
Vice chairman

James Martin Ditmore

Flemming Stig Pristed

Jeanette Løgstrup

Independent auditor's report

To the the shareholders of MobilePay Denmark A/S

Opinion

We have audited the financial statements of MobilePay Denmark A/S for the financial year 23 December 2016 to 31 December 2017, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2017 and of the results of its operations for the financial 23 December 2016 to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 22 March 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Ringbæk
State-Authorised
Public Accountant
MNE no 27735

Management's report

	2017
	DKK'000
Financial highlights	
Key figures	
Gross profit	-63.805
Operating profit/loss	-68.884
Net financials	1.800
Profit/loss for the year	-52.325
Balance sheet total	680.837
Investments in property, plant and equipment	0
Equity	108.175
Financial ratios	
Return on equity (%)	-48,4%
Equity ratio (%)	15,9%

The Company's financial year covers the period 23 December 2016 – 31 December 2017, which is the Company's first financial reporting period. Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015", issued by the Danish Finance Society. For terms and definitions, see "Accounting policies".

Management's report

Business review

The Company offers mobile payment solutions in Denmark.

Financial review

Effective 1 January 2017, the Company took over the distribution of MobilePay in Denmark, including the handling of and cooperation with end-users, merchants and partner banks. In the start-up year, the Company carried a loss of DKK 52.325 thousand, which met expectations.

Events after the balance sheet date

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

Outlook

In the upstart period, the Company expects a loss also for 2018.

Income statement for 23 December 2016 – 31 December 2017

	Note	2017 DKK'000
Gross profit	-----	----- -63.805
Staff costs	3	5.079
Operating profit/loss		-68.884
Other financial income	4	1.800
Profit before tax		-67.084
Tax for the year	5	-14.759
Profit for the year		-52.325
Proposed appropriation of profit		
Dividend proposed for the financial year		0
Retained earnings		-52.325
		-52.325

Balance sheet at 31 December 2017

		2017
	Note	DKK'000
Trade receivables		545.526
Tax assets	7	14.759
Other receivables		39.805
Prepayments	6	404
Receivables		<u>600.494</u>
Cash		<u>80.343</u>
Current assets		<u>680.837</u>
Assets		<u><u>680.837</u></u>

Balance sheet at 31 December 2017

	Note	2017 DKK'000
	-----	-----
Share capital		10.500
Retained earnings		97.675
Dividend proposed for the financial year		0
Equity		<u>108.175</u>
Due to credit institutions		544.129
Payables group undertakings		15.949
Trade payables		824
Other payables	8	11.760
Current liabilities		<u>572.662</u>
Liabilities		<u>572.662</u>
Equity and liabilities		<u><u>680.837</u></u>
Contingent liabilities.	9	
Related parties and ownership structure	10	

Statement of changes in equity (DKK'000)

	Share- capital DKK'000	Retained earnings DKK'000	Dividend proposed for the financial year DKK'000	Total DKK'000
Equity at 23 December 2016	500	0	0	500
Dividend distributed for the year	0	0	0	0
Capital increase	10.000	150.000	0	160.000
Profit/ loss for the year	0	-52.325	0	-52.325
Equity at 31 December 2017	10.500	97.675	0	108.175

The share capital consists of 21 shares of DKK 500.000 each.

The shares are not divided into share classes.

Movements in the share capital in the past five financial years:

Establishment of the Company at 23 December 2016	500
Capital increase in 2017	10.000
Share capital at 31 December 2017	10.500

Notes

1. Accounting policies

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

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

The financial statements for 2017 are the Company's first financial statements.

Basis of recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that, as the result of a past event, future economic benefits will flow to the Company and the value of the asset can be measured reliably.

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

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

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

Accounting policies (continued)

Accounting estimates and judgements

Management's estimates and judgments in respect of future events that will affect the carrying amounts of assets and liabilities underlie the preparation of the financial statements. Management's estimates and judgements are based on assumptions which Management considers reasonable, but which are inherently uncertain and unpredictable. As the assumptions may be incomplete or imprecise, and since unexpected events or circumstances may arise, making such estimates and judgements is difficult and will be associated with uncertainty.

Principles for related party transactions

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

Intra-group business combinations

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

Income statement

Revenue

Revenue consists of distribution fee from partner banks and income from commercial customers' use of MobilePay. Revenue is recognised net of VAT, taxes, duties and discounts related to the sale and is measured at the fair value of the consideration determined.

External expenses

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

Staff costs

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

Accounting policies (continued)

Financial income and expenses

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

Tax

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

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

Balance sheet

Receivables

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

Prepayments

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

Cash

Cash comprises bank deposits.

Equity

Dividend

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

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities, calculated based on the planned use of the asset or settlement of the liability, respectively.

Accounting policies (continued)

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

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

Liabilities

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

Financial highlights

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

Financial ratios	Formula	Financial ratios express
Return on equity (%) =	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Company's return on the capital invested by the equity owners.
Equity ratio (%) =	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The Company's financial strength.

2. Acquisition of MobilePay

In 2017, the Company took over the distribution and operation of MobilePay in Denmark, including the actual handling of and cooperation with end-users, merchants and partner banks. The transfer was made by the Company's parent, Danske Bank A/S. The transfer, which took place in the form of a non-cash contribution as well as a capital increase has been completed with retroactive effect at 1 January 2017. The difference between acquired assets and liabilities (remuneration) totalled DKK 160,000,000.

Notes

	23 Decem- ber 2016 - 31 Decem- ber 2017
3. Staff costs (DKK'000)	
Wages and salaries	3.994
Pensions	594
Other social security costs	491
	<u>5.079</u>
There are no remuneration to the Executive Board or the Borad of Directors	
Average number of employees	<u>5</u>
4. Other financial income (DKK'000)	
Interests, group entities	<u>1.800</u>
	<u>1.800</u>
5. Tax for the year (DKK'000)	
Current tax	0
Change in tax assets	<u>14.759</u>
	<u>14.759</u>
6. Prepayments (DKK'000)	
Prepaid expenses	<u>404</u>

Notes

	23 Decem- ber 2016 - 31 Decem- ber 2017
7. Tax assets (DKK'000)	
Tax assets at 23 December 2016	0
Adjustment of joint taxation contribution	14.759
Tax assets at 31 December 2017	14.759

8. Other payables (DKK'000)

Wages/ salaries, salary tax, social security contributions, etc.	6.237
Other accrued expenses	5.523
	11.760

9. Contingent liabilities

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

10. Related parties and ownership structure

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

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

The consolidated financial statements can be obtained at www.danskebank.dk

Related party transactions:

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

	2017
Partner Settlement from Danske Bank	29.067
License and administration fee to MobilePay A/S	25.047
Internal costs to Danske Bank A/S	71.416
Interest expenses to Danske Bank A/S	1.800
Cash (Danske Bank A/S)	80.343
Due to credit institutions (Danske Bank A/S)	544.129

Further the Company has in 2017 taken over the distribution and operation of MobilePay in Denmark, from Danske Bank, see further description in note 2.