

MobilePay Denmark A/S

Vester Søgade 10, 6th floor

DK-1601 Copenhagen V

CVR no. 38 29 21 88

Annual report for 2019

The annual report was presented and adopted by the shareholders at the Company's annual general meeting on 25 March 2020

Julie Top-Madsen
Chairman

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Company details

Company

MobilePay Denmark A/S

Vester Søgade 10, 6th floor, DK-1601 Copenhagen V

CVR no.: 38 29 21 88

Financial year: 1 January - 31 December

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

Jacob Aarup-Andersen (Chairman)

Glenn Söderholm (Vice Chairman)

Fredrik Lindström

Mark Majgaard Wraa-Hansen

Anders Hartlev

Executive Board

Torben Elling Gamst (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 25 March 2020 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 1 January 2019 – 31 January 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January 2019 – 31 December 2019.

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, 18 March 2020

Executive Board

Torben Elling Gamst
CEO

Janne Dyrlev

Board of Directors

Jacob Aarup-Andersen
Chairman

Glenn Söderholm
Vice chairman

Fredrik Lindström

Mark Majgaard Wraa-Hansen

Anders Hartlev

Independent auditor's report

To the shareholders of MobilePay Denmark A/S

Opinion

We have audited the financial statements of MobilePay Denmark A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 18 March 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Central Business Registration No (CVR) 33963556

Jens Ringbæk

State Authorised Public Accountant

Identification No (MNE) mne27735

Jonas Gjørup Larsen

State Authorised Public Accountant

Identification No (MNE) mne44144

Management's report

Business review

The Company offers mobile payment solutions in Denmark.

Financial review

In 2019, the Company carried a loss of DKK 19,262 thousand, which met expectations. The result improved by DKK 8,701 thousand compared to 2018, driven by a 40% growth in paid transactions in addition to higher fees from sign-up and subscription. Staff costs increased from the insourcing of the end-user support function that was until July 1 performed by Danske Bank.

In December, the Company's owner MobilePay A/S capitalised the Company according to plan.

Events after the balance sheet date

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

Outlook

The Company expects a higher loss in 2020 than in 2019 reflecting the planned cessation of some partner bank fee elements. The current unknown impact on the Danish economy from the COVID 19 pandemic causes uncertainty to the 2020 loss.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	DKK'000	DKK'000	DKK'000
Financial highlights			
Key figures			
Gross profit	9,244	-24,469	-63,805
Operating profit/loss	-23,373	-35,648	-68,884
Net financials	-1,090	-201	1,800
Profit/loss for the year	-19,262	-27,963	-52,325
Balance sheet total	348,968	346,662	680,837
Investments in property, plant and equipment	0	0	0
Equity	165,950	80,212	108,175
Financial ratios			
Return on equity (%)	-15.6%	-29.7%	-48.4%
Equity ratio (%)	47.6%	23.1%	15.9%

The financial year 2017 covers the period 23 December 2016 – 31 December 2017, which was 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".

Income Statement for 2019

	Note	<u>2019</u>	<u>2018</u>
		DKK'000	DKK'000
Gross profit		9,244	-24,469
Staff costs	2	<u>32,617</u>	<u>11,180</u>
Operating profit/loss		-23,373	-35,648
Other financial income	3	<u>-1,090</u>	<u>-201</u>
Profit before tax		-24,463	-35,849
Tax for the year	4	<u>-5,201</u>	<u>-7,887</u>
Profit for the year		<u><u>-19,262</u></u>	<u><u>-27,963</u></u>
 Proposed appropriation of profit			
Dividend proposed for the financial year		0	0
Retained earnings		<u>-19,262</u>	<u>-27,963</u>
		<u><u>-19,262</u></u>	<u><u>-27,963</u></u>

Balance sheet at 31 December 2019

	Note	<u>2019</u>	<u>2018</u>
		DKK'000	DKK'000
Trade receivables		94,576	239,659
Tax assets	4	5,201	7,887
Other receivables		31,170	32,429
Receivables		<u>130,947</u>	<u>279,975</u>
Cash		<u>218,021</u>	<u>66,687</u>
Current assets		<u>348,968</u>	<u>346,662</u>
Assets		<u>348,968</u>	<u>346,662</u>

Balance sheet at 31 December 2019 (continued)

	Note	2019 DKK'000	2018 DKK'000
Share capital		10,510	10,500
Retained earnings		155,440	69,712
Dividend proposed for the financial year		0	0
Equity		<u>165,950</u>	<u>80,212</u>
Due to credit institutions		88,289	213,215
Payables group undertakings		15,632	14,075
Trade payables		2,070	1,266
Other payables	5	77,026	37,894
Current liabilities		<u>183,018</u>	<u>266,450</u>
Liabilities		<u>183,018</u>	<u>266,450</u>
Equity and liabilities		<u><u>348,968</u></u>	<u><u>346,662</u></u>
Contingent liabilities	6		
Related parties and ownership structure	7		

Statement of changes in equity

	Share capital	Retained earnings	Dividend proposed for the fi- nancial year	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January 2019	10,500	69,712	0	80,212
Dividend distributed for the year	0	0	0	0
Capital increase	10	104,990	0	105,000
Profit/loss for the year	0	-19,262	0	-19,262
Equity at 31 December 2019	<u>10,510</u>	<u>155,440</u>	<u>0</u>	<u>165,950</u>

The share capital consists of 10,510 shares of DKK 1,000 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
Capital increase in 2019	<u>10</u>
Share capital at 31 December 2019	<u>10,510</u>

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 accounting policies remained unchanged from last year.

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 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.

Accounting policies (continued)

Intra-group business combinations

The book value method is applied to intra-group business combinations. The acquisition or disposal is assumed to have taken place 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.

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 ultimate parent company, 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.

Accounting policies (continued)

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.

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 ultimate parent company, 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 ratio 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.

Accounting policies (continued)

2. Staff costs (DKK'000)

	<u>2019</u>	<u>2018</u>
Wages and salaries	26,741	9,435
Pensions	2,205	759
Other social security costs	<u>3,671</u>	<u>986</u>
	<u>32,617</u>	<u>11,180</u>

Average number of employees	37	14
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One member of the Executive Board is remunerated by MobilePay Denmark A/S. The other members of the Executive Board also form parts of the Executive Board in MobilePay A/S, and these members are remunerated by MobilePay A/S. There is no remuneration to the Board of Directors. By reference to section 98b (3) of the Danish Financial Statements Act, management remuneration is not disclosed as this would disclose individual remuneration.

Special incentive plans

The CEO of MobilePay Denmark A/S participates in a short-term incentive programme with a bonus of maximum of 50% of fixed salary. Bonus calculation is based on individual agreement, including three levels of Key Performance Indicators (KPIs): Danske Bank Group KPIs (weight 20%), MobilePay KPIs (weight 40%) and individual KPIs (weight 40%), and are both financial and non-financial targets.

3. Other financial income (DKK'000)

Interests, group entities	-1,098	-216
Other	<u>8</u>	<u>15</u>
	<u>-1,090</u>	<u>-201</u>

4. Tax assets (DKK'000)

Tax assets at the beginning of the year	7,887	14,759
Adjustment of joint taxation contribution	<u>-2,686</u>	<u>-6,872</u>
Tax assets at the end of the year	<u>5,201</u>	<u>7,887</u>

Accounting policies (continued)

5. Other payables (DKK'000)

	<u>2019</u>	<u>2018</u>
Wages/salaries, salary tax, social security contributions, etc.	5,794	2,906
e-money payables	39,110	4,910
Merchant payables	20,097	20,407
Partner bank payables	9,106	6,186
Other	2,919	3,485
	<u>77,026</u>	<u>37,894</u>

6. Contingent liabilities

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

7. Related parties and ownership structure

The Company is a wholly owned subsidiary of MobilePay A/S, Copenhagen, which is a wholly owned subsidiary of the ultimate parent company Danske Bank A/S, Copenhagen.

The Company's financial statements are part of the consolidated financial statements for Danske Bank A/S (CVR number 61126228), Copenhagen.

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

Related party transactions:

By reference to section 98c (7) of the Danish Financial Statements Act, we will disclose if transactions has not been settled on an arm's length basis. In 2019, all transactions with related parties were settled on an arm's length basis.