

Mastercard Payment Services Denmark A/S

Arne Jacobsens Allé 13
2300 København S
Denmark

CVR no. 40 69 58 69

Annual report 2022

The annual report was presented and approved at
the Company's annual general meeting on

15 May 2023

Peter Klein
Chairman of the annual general meeting

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Mastercard Payment Services Denmark A/S
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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Mastercard Payment Services Denmark A/S for the financial year 1 January – 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen, 29 March 2023
Executive Board:

Lars Asger Mørk Petersen
CEO

Board of Directors:

Peter Klein
Chairman

Frode Åsheim

Erik Jozef Stessens

Erik Anders Gutwasser

Alison Kay Whittaker

Independent auditor's report

To the shareholder of Mastercard Payment Services Denmark A/S

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Mastercard Payment Services Denmark A/S for the financial year 1 January – 31 December 2022 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

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

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

Copenhagen, 29 March 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Henrik Kyhnauv
State Authorised
Public Accountant
mne40028

Mastercard Payment Services Denmark A/S
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Management's review

Company details

Mastercard Payment Services Denmark A/S
Arne Jacobsens Allé 13
2300 København S
Denmark

CVR no.:	40 69 58 69
Established:	5 August 2019
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Peter Klein, Chairman
Frode Asheim
Erik Jozef Stessens
Erik Anders Gutwasser
Alison Kay Whittaker

Executive Management

Lars Asger Mørk Petersen, CEO

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
CVR no. 33 77 12 31

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019
Key figures				
Revenue	1,636,973	1,605,291	1,474,534	0
Profit/loss before financial income and expenses	211,426	335,353	459,818	-20
Profit/loss from financial income and expenses	-6,943	-9,296	46	0
Profit/loss before tax	204,483	326,057	459,864	-20
Profit/loss for the year	188,606	-737,707	2,985,878	-20
Total assets	3,058,273	2,864,145	3,496,350	1,195
Equity	2,559,724	2,586,118	3,323,825	1,180
Investment in property, plant and equipment	102,921	7,167	0	0
Ratios				
Profit margin	13%	21%	31%	0%
Return on equity	16%	-25%	180%	-2%
Solvency ratio	84%	90%	95%	99%

The financial ratios have been calculated as follows:

Profit margin
$$\frac{\text{Result before financial income and expenses/loss} \times 100}{\text{Revenue}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year-end} \times 100}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities

Mastercard Payment Services operates and develops account-to-account services, clearing and settlement, instant payment infrastructure, bill payment solutions and e-invoicing applications and has over 300 highly skilled employees in Denmark and Norway.

Mastercard Payment Services was established on 5 March 2021, when Mastercard completed the acquisition of the majority of Nets' Corporate Services business. The acquisition of Mastercard Payment Services added a modern service-based architecture for real-time payments, strong account-to-account capabilities, extensive bill payment knowledge and a strong customer base.

Adapt to future payment needs

The skills and expertise of Mastercard Payment Services, along with the technology, complement Mastercard's already strong real-time and bill payments capabilities. We want to help our customers adapt to future payment needs and habits of both consumers, companies, and the public sector. Mastercard Payment Services adds:

- Highly experienced employees with hard-to find expertise in designing, delivering and managing real-time and bill payment systems, thus enhancing our ability to maximize on real-time payments infrastructure and applications opportunities.
- A well-established business model providing payment services and technology solutions across Denmark, Norway and several other European markets.

We design, build, operate, and develop payment solutions

Mastercard Payment Services operates several proven payment solutions in both Denmark and Norway. We are also an experienced instant payments solution provider and deliver real-time clearing services not only in the Nordics but also in several other European countries.

We are dedicated to building on the legacy and the proven track-record of delivering trusted and reliable payment solutions and we are committed to improving further to the benefit of all. We are proud of delivering high quality services and understand the importance of the role and responsibility we have in providing critical financial infrastructure.

Overview of entities: Mastercard Payment Services

- Mastercard Payment Services Denmark A/S provides critical infrastructure services in respect of DKK clearing systems and operates a local direct debit solution.
- Mastercard Payment Services (Norway) AS provides bill payment services to clients in the Norwegian banking sector.
- Mastercard Payment Services Infrastructure (Norway) AS provides infrastructure services in respect of critical Norwegian clearing systems to its client, Bits AS, the operator of the Norwegian Interbank Clearing Systems (NICS) under authorisation by the Norwegian Central Bank.

Denmark and the Nordics as a key location for Mastercard

The Nordic region is one of the most technologically advanced payments markets in the world, a place where we first see emerging technologies, new consumer behaviour and habits, and where we have the skills and experience to develop and pursue new opportunities. We are investing in Denmark and the Nordics as a key area for future technology and innovation and create Nordic job opportunities on the cutting edge of payments and tech.

Management's review

Operating review

In May 2022 we moved to a new location in Ørestad, in the heart of the Oresund region, at Arne Jacobsens Allé 13, 2300 Copenhagen S. It is an existing building where the interior has been updated and redesigned with a focus on technology, flexibility, and collaboration. Our ambition is to offer the most exciting job opportunities in payment and technology in a global company with a strong brand and a solid local presence.

We take more steps towards integration and migration

In 2022, we have completed the corporate IT migration as well as corporate HR and Finance & Accounting systems integration. As of now, we are fully operating corporate processes and functions under Mastercard governance with the exit of the one-year Transitional Service Agreement (TSA) in March 2022. We are currently progressing towards the two-year TSA exit with the integration of the Billing, Customer Services tools, and back-office systems by end of March 2023. We continue progressing with technology and product offering migration to Mastercard environment and data centers whilst focusing on customer migration until completion by 2024.

Our differences enable us to be a better team

The Mastercard Way defines the mindset and behaviors that matter most to us. It consists of three principles: Create Value, Grow Together, Move Fast. These principles express where we're going as an organization, how we work together and how we deliver for our customers and each other.

A sense of belonging at Mastercard

Inclusion and diversity mean more to us than bringing together people with different backgrounds. It is a belief that our differences enable us to be a better team – one that makes better decisions, drives innovation and delivers better business results.

More than half of Mastercard's employees globally are part of a Business Resource Group (BRG) – self-governed groups that are comprised of individuals who come together based on similar interests or experiences. Members of our BRGs invest their time and resources into cultivating an inclusive culture that, not only drives business results, but also helps every employee feel a sense of belonging at Mastercard. In Mastercard Payment Services we have established two Business Resource Groups: Women Leadership Network and YoPros (Young Professionals).

We strive to create meaningful connections, inspire acceptance and cultivate a culture where we all belong. At Mastercard, we encourage our employees to connect their skills and passions with community volunteerism. We continue to introduce our employees to the full scale of opportunities and to The Mastercard Way, our brand, our purpose etc.

Payment innovation and technology

Mastercard continues to expand its reach beyond card payments, executing on its multi-rail strategy.

Mastercard is a global pioneer in payment innovation and technology connecting billions of consumers, issuers, merchants, governments, and businesses. With Mastercard Payment Services we will maintain and strengthen our position to continue to serve the region, while using global scale and presence to grow the services we offer in other markets. Leveraging the whole of Mastercard, we are uniquely equipped to help deliver the frictionless digital experiences that people, and organisations want and increasingly expect.

Financial Review

Net revenue for the year was DKK 1,637 million, which was an increase of 2% vs. 2021. The increase was mainly driven by higher volumes on the B2B product-offering and a general recovery following COVID-19 in the economy. In 2022 a new price model was implemented for Betalingservice strengthening the competitive position for Mastercard Payment Services.

Management's review

Operating review

Operating costs were DKK 1,184 million, increasing 13%, mainly from external resources required to support the migration of systems and processes from Nets to Mastercard and to strengthen the compliance framework.

Staff costs for the year were DKK 193 million, which was an increase of 6% primarily due to the continued setup of support functions locally and activities related to integration.

Profit before tax for the year was DKK 204 million, which was a decrease of 37% compared to 2021.

The decrease was mainly driven by activities related to the de-merger from Nets to Mastercard, establishing a new Nordic organisation. In 2022 parts of the Transitional Service Agreement (TSA) with Nets were exited, but Mastercard Payment Services will continue to incur significant costs ahead of the exit in 2024. Revenue and Profit before tax for the year was in line with management expectations.

Revenue and operating profits are satisfactory and in line with expectations for the year from Mastercard Payment Services management.

Revenue and Profit before tax is expected to remain stable in 2023. While focusing on migration activities, Mastercard Payment Services is committed to provide stable and secure operations as well as continued investments in innovative solutions that generate value for the customers.

As an approved Payment institution under the Danish Payment Services Act, Mastercard Payment Services Denmark A/S continuously monitor and report its capital requirement in accordance with the rules set by the Danish Financial Supervisory Authority.

Events after the balance sheet date

There were no events with a significant effect on the financial position and results of operations after the end of the fiscal year.

Principal risks and uncertainties

The Mastercard Payment Services Board of Directors is responsible for the overall governance, overseeing the risk profile and approving strategies and policies.

The “Three Lines of Defense” model

Mastercard Payment Services adopts a “Three Lines of Defense” model as the basis for corporate governance. The model is implemented across Mastercard Payment Services entities and is used to structure roles, responsibilities and accountability relating to risk and internal controls.

First Line – Identify, assess and manage risks

The Business, Operations and Technology teams within Mastercard Payment Services form the first line of defense. They own and are accountable for the identification, measurement, management and reporting of all risks relevant to their functions.

Management's review

Operating review

Second Line – Oversight, control, and compliance

Mastercard Payment Services second line consists of core Compliance functions and core Risk functions. Compliance functions are Legal Compliance, Regulatory Affairs Regulatory Compliance and Privacy and Data Protection. Risk functions consists of Risk Management, Technology Risk Management, Enterprise Resilience and Corporate Security and act independently, away from the activities they are required to monitor. They provide objective challenge, setting minimum requirements to comply with applicable laws and regulations via policies and procedures which they support the implementation and monitoring thereof through frameworks, tools, processes, and control activities.

Third Line – Independent assurance

Internal Audit forms the Third Line of Defense, providing independent assurance of risk and control functions performed by the first and second lines of defense.

Internal Audit coordinates and performs all audits related to the scope of Mastercard Payment Services including general IT controls, IT-based user systems and applications and IT systems which support the exchange of data between connected data centers and associated financial enterprises. Additionally, core business processes and projects, of internal and external importance, are audited. Audit completion requires conclusions to be reported to the managers of audited activities, Management, and the Board of Directors at Mastercard Payment Services.

Mastercard Payment Services adopts an enterprise-wide risk management approach to identify, assess, measure, manage and report across a wide range of business and operational risks. An annual programme of independent key controls testing is performed to ensure the design and operation of key controls remains effective.

Significant opportunities continue to arise in the payments market and Mastercard Payment Services continues to monitor and focus on the risks presented in the following areas:

- Business Resilience and Recovery
- Cyber Security;
- Regulatory;
- Brand and Reputation;
- Integration; and
- Competition and Technology.

Business Resilience and Recovery Risk

Mastercard Payment Services operates several critical payment platforms in Denmark and throughout Europe, such as direct debit solutions, clearing systems and payment processing platforms, which require a high level of dependability and continuous service availability.

As part of the agreed terms of the acquisition of Mastercard Payment Services Denmark A/S, Nets will continue to provide transition services until September 2024 to enable Mastercard Payment Services to continue delivering services to the market.

Main mitigations: Mastercard Payment Services adopts a resilience by design strategy and policy that includes Crisis Management, Business Continuity and Disaster Recovery. This is further supported by robust service management procedures, fully understands the dependencies, functionalities and corresponding risks within its supply chain, and is able to demonstrate the controls around supplier management on an ongoing basis.

Management's review

Operating review

Resilience and the ability to recover is continuously assured as per "good practice and guidelines" in the financial management industry and in compliance with regional and local regulation. Regular business impact analyses (BIA) to ensure service maturity and resilience and thorough Disaster Recovery testing, as well as recovery simulations.

Mastercard Payment Services has established an exhaustive vendor governance, including reporting and governance forums via TSA with Nets to maintain a continuous service availability.

Cyber Security Risk

Cyber Security remains a prevalent, fast evolving threat across many industries and particularly within financial and payment services. Global inter-connectivity and technological advancement is adding to the complexity of Cyber Security Risk and is enabling more advanced methods to be employed by threat actors.

Mastercard Payment Services continues to work closely with customers, governments, and the wider payment industry to understand and evaluate the nature of these threats, enabling the business to steer strategic and tactical risk decisions in line with the constantly evolving threat landscape. Mastercard Payment Services is committed to the continued delivery of cyber resilience and will ensure it has the capability to resist and counter such threats through mature and robust layered defenses; system monitoring and traffic analysis; and close alignment with Industry and International security standards.

Continual security monitoring and security testing is central to the safe provision and operation of payment services.

Main mitigations: Mastercard Payment Services has become member of the Nordic Financial CERT (NFCERT) community to further strengthen the collaboration with key actors across the sector, and to ensure timely access to threat intelligence and expert support in the event of cyber threats materializing. Mastercard Payment Services has strengthened and will continue to improve the security governance across the organisation, with emphasis on evolving the Mastercard Payment Services Information Security Management System (ISMS), executing cyber security culture, training and awareness activities for all personnel, and strengthen the monitoring and management of vendors providing security capabilities and services to Mastercard Payment Services.

Regulatory Risk

Mastercard Payment Services Denmark A/S is authorised as a payment institution under the Danish Payments Act and under the supervision of the Danish Financial Services Authority (DFSA). Further, due to its role as provider of critical infrastructure services in respect of DKK clearing systems, Mastercard Payment Services Denmark A/S is subject to the regulation on shared data centers (fælles datacentraler) under the Danish Financial Services Act and it also under the supervision of the DFSA in that capacity. Finally, Betalingsservice, the direct debit scheme provided by Mastercard Payment Services Denmark A/S is subject to oversight by the Danish Central Bank due to its designation as critical financial infrastructure.

The Regulatory Affairs team takes an active role in understanding the applicable regulatory framework and associated risks and reports to the Executive Committee, Risk Committee and Board of Directors within the areas of payments regulation (PSD2), competition law and related subject matters. Similar functions are performed by Privacy in respect of GDPR and Legal Compliance in the relation to Anti Money Laundry / Combating the Financing of Terrorism (AML/CFT).

To comply with applicable regulation, the business of Mastercard Payment Services Denmark A/S is conducted in accordance with a governance framework of policies and procedures which inter alia sets out appropriate reporting and escalation processes in accordance with the Three Lines of Defense model (see above).

Management's review

Operating review

In terms of new regulatory obligations, Mastercard Payment Services Denmark A/S is was authorized as an IT-operator of retail payment systems in October 2022, a requirement in the Danish Capital Markets Act to continue its operations as provider of critical infrastructure services to DKK payment systems.

Brand and Reputation

The reputation of Mastercard Payment Services as well as perceptions of our brand and our services are key assets of our business. The ability to attract customers and consumers to our products and retain them depends upon the external perception of us and our industry. Negative brand perception as well as lack of visibility may materially and adversely affect our overall business.

Operating critical payments infrastructure and applications can subject us to heightened reputational risks, including extensive scrutiny and publicity. Our business may be affected by actions taken by our customers or other organizations that impact the perception of our brands or the payments industry in general. Other types of risks such as failure to comply with laws and regulations, information security incidents etc. could have an impact on our brand and reputation.

Main mitigations: Mastercard Payment Services is cognisant of the criticality of maintaining positive industry perceptions regarding its operations. Mastercard Payment Services places specific attention upon the prevention of events which could result in any negative publicity or litigation that could affect its existing or new business opportunities. We build strong stakeholder relationships to financial institutions, our customers and other key stakeholders in the payments industry that could impact our payment products and services.

Integration

The integration of Mastercard Payment Services into Mastercard remains a key risk for Mastercard Payment Services.

To support the separation process and provide a controlled migration a comprehensive TSA is in place between Nets and Mastercard. Over the TSA period, Mastercard Payment Services will replicate, clone, and stand-up infrastructure to enable separation from Nets. The completion of migration activities will conclude Mastercard Payment Services' transitional services with Nets, after which point, Service Operations, Infrastructure and Security Operations will transition to local and global Mastercard teams and trusted partners, providing comprehensive 24/7 support to assure the highest quality for the delivery of services.

In this process, successful delivery of the Data Center Relocation strategy is crucial to the overall contractual services agreed by Mastercard Payment Services to its customers and regulators.

Other focus areas of integration are managing the internal and external complexity of the carve out from Nets. This includes managing the internal technical requirements and interdependencies and, externally, ensuring ongoing careful management of customer contractual commitments and minimizing customer and sector change disruption throughout the transition, while maintaining secure and stable operations.

Main mitigants: The Data Center Relocation and TSA Exit Process program comprises workstreams and participants from all impacted workstreams. It is led by a Mastercard Steering Committee which ensures strong internal governance. In addition, well defined governance is in place between Mastercard and Nets to cover all separation activities. Dedicated Move Groups have been created at the application level for planning purposes. Move Groups represent a logical group of applications in the Mastercard Payment Services Application Catalogue that need to be moved from a Nets data center to a Mastercard data center. Creating dedicated Move Groups enables a phased approach to the migration, with the lowest possible impact to customers and minimal dependency on other applications, whilst maintaining secure and stable operations. At this stage of the integration, focus is being given to the end-to-end plan ensuring required refinement to meet customer migration committed dates where already established.

Management's review

Operating review

Competition and Technology

Substantial and intense competition and transformation in the global payments industry may materially and adversely affect our overall business and results of operations.

The payments industry is highly competitive. Payment industry players, customers, fintechs, technology companies, governments and other industry participants may, individually or through merger, joint ventures or other business combinations, develop products and services that could require us to adapt to new market dynamics. Our ability to meet or drive developments in the market may be also affected by changes in the legal and regulatory landscape.

Technological changes, including continuing developments of technologies in the areas of real-time payments, mobile payments, e-commerce, cryptocurrency and block chain technology, machine learning and AI, could result in new technologies that may be superior to, or render obsolete, the technologies we currently use in our programs and services. Moreover, these changes could result in new and innovative payment methods and products that could place us at a competitive disadvantage and that could reduce the use of our products.

Main mitigations: We maintain a strong focus on customers, understanding their payment needs. Mastercard Payment Services focusses on modernising and developing existing services while we also adopt and develop new services. We put an effort in attracting and retaining technology experts and other key experts and we are leveraging Mastercard expertise in the Nordics, across Europe and globally to extend and expand our current offerings.

Corporate social responsibility

This statutory statement on corporate social responsibility (CSR) – cf. sections 99a and 99b and 99d of the Danish Financial Statements Act – covers the financial period from 1 January to 31 December 2022.

CSR at Mastercard Payment Services Denmark

We're powering economies and empowering people, building a sustainable world where everyone prospers. Environmental, social and governance (ESG) matters are fundamental to our business strategy globally, and we leverage our employees, technology, resources, partnerships, and expertise to drive positive, lasting impact. Our ESG strategy is expressed through three pillars — People, Prosperity, Planet — and all the work we do is grounded in strong governance principles.

As a member of the global Mastercard network, we comply with Mastercard policies and procedures. As Mastercard Payment Services Denmark A/S was acquired by Mastercard in 2021, 2022 was the first full financial year for the entity as part of Mastercard.

Operating critical financial infrastructure

Our impact stems from operating and processing digital payments which ensure 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. We understand the importance of the role and responsibility we have in providing critical financial infrastructure. And we want to help our customers adapt to future payment needs and habits of both consumers, companies, and the public sector.

Management's review

Operating review

Driving digitalisation in a responsible manner

We are committed to delivering digital solutions that drive the development towards a digitalised 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. Effective risk management and oversight are essential to the success of our business strategy and continue to be an important element of our ESG strategy globally. We take a disciplined and consistent approach to risk, continuously improving our programs and policies to respond to new, existing and potential risk factors, including changing market trends, external events and the global regulatory environment. Mastercard Payment Services Denmark A/S leverages Mastercard corporate-wide risk taxonomy and rating scales, which have been updated to capture relevant ESG risk elements, to help identify, categorize and aggregate risks across the organization.

Reporting on environmental sustainability cf. sections 99a of the Danish Financial Statements Act

Mastercard is committed to ensuring people, communities, businesses, and the planet can thrive. Recognising that no company can succeed in a failing world, we address critical global issues such as financial and gender inclusion, diversity, and the security of the global payments ecosystem - all with the goal of helping our partners engage and serve customers in relevant ways. Mastercard has created a Priceless Planet Coalition to mobilise our network of partners to restore 100 million trees by 2025. We have also established the Sustainability Innovation Lab in Stockholm to assist customers and partners in designing sustainable solutions.

Climate change is one of the most important issues facing the world today. Mastercard's commitment to environmental sustainability starts with managing the impacts of our own operations. This means reducing overall greenhouse gas (GHG) emissions, reducing waste and water use and working with our suppliers to do the same.

We strive to reduce the climate impact of our supply chain and operations, with a goal to achieve Net Zero emissions by 2040 and reduce Mastercard's GHG emissions by our science-based targets (SBTs) of 38% for Scope 1 and 2, and 20% for Scope 3 by 2025, compared to 2016. The first in the payments industry to gain Science Based Targets initiative (SBTi) approval for its GHG goals, Mastercard is currently working towards its SBTi-approved goal to reduce total Scope 1 and 2 emissions. These targets reflect a long-term commitment by the company to monitor and implement best practices to reduce emissions across the business, drive operational energy efficiency, and further engage suppliers in value chain decarbonization.

Since 2020, Mastercard's global operations have been carbon neutral, achieved through ongoing decarbonization efforts, 100% renewable electricity usage, and carbon credits to address residual emissions. We employ high integrity carbon credits verified to rigorous, recognized standards and only in conjunction with real reductions in carbon emissions. Understanding that economic growth cannot come at the expense of the planet, the company's global action plan aims to continue to reduce greenhouse gases (GHG) by remaining focused on the decarbonization of its operations and bolstering its efforts to decarbonize its supply chains. For more information about ESG matters at Mastercard, including our annual Sustainability Report, please see the Corporate Responsibility section of our website at <https://www.mastercard.com/sustainability>.

Mastercard has set the following targets:

- *2040: Reach net-zero greenhouse gas (GHG) emissions*
- *2025: Reduce absolute Scope 1 and 2 GHG emissions by our science based target of 38% compared to 2016*
- *2025: Reduce absolute Scope 3 GHG emissions by our science based target of 20% compared to 2016.*

Management's review

Operating review

Local activities

At Mastercard Payment Services Denmark A/S, we're taking further steps to reduce the environmental impact of our operations. This ambition extends to the contribution of our office, our business, and use of services by our customers, to climate change. We comply with local laws as a standard and continually review our approach to manage the impact of our office space. In 2022, we continued to implement processes and actions to support the environmental targets.

In May 2022, we moved to a new office in Copenhagen. For the Copenhagen location we are working towards a BREEAM certification (one of the most common and internationally recognized certification schemes for sustainability in buildings, involving a wide range of assessment criteria to appraise the performance of a building), refer to <https://bregroup.com/products/breeam>; and a TRUE precertification (Zero Waste certification - TRUE certified spaces are environmentally responsible, more resource efficient and help turn waste into savings and additional income streams) this year, for more details refer to <https://true.gbci.org/true-certification-zero-waste>. The property has obtained a DGNB silver certification for properties in operation, please see at <https://www.dgnb-system.de/en>.

Our operational strategies include updating our building management system to increase monitoring and reporting of energy usage to target potential waste at source.

Our responsible engineering practices include a range of projects to enable efficient cooling of data centres running on 100% renewable power. Plans for future datacenters have a particular emphasis on access to renewable natural energy and efficient cooling.

Further steps will also be to accelerate a plan to engage our value chain, including our customers, and make a positive contribution to key environmental issues affecting our business.

Reporting on social matters, staff matters and matters concerning respect for human rights: cf. sections 99a of the Danish Financial Statements Act

People and capabilities

The Code of Conduct is the cornerstone of Mastercard's ethics and compliance system and sets forth the principles of behaviors and business ethics. We are proud of Mastercard's culture of compliance that is grounded in honesty, decency, trust and personal accountability. The Code of Conduct serves as a guide for acting with integrity. Everyone at Mastercard is required to comply with the Code of Conduct and to confirm compliance when joining the firm and on an annual basis thereafter. The Code of Conduct is available at <https://investor.mastercard.com/corporate-governance/policies-and-reports/default.aspx>

We are committed to developing and retaining a diverse and inclusive workforce, around the globe to address the risk of unlawful discrimination, harassment, and retaliation. We promote an inclusive work environment and employee well-being. Employees are empowered and responsible to speak up, particularly with respect to any ethical or potential legal concerns.

The Whistleblower Policy protects employees who raise concerns and was established by the Audit Committee of the Board of Directors. The purpose of the Policy is to detail the process to receive, retain, investigate, and act on certain specific complaints and concerns of employees, shareholders and others.

Management's review

Operating review

Human rights

Our commitment to human rights begins with our longstanding belief that everyone has the right to be treated fairly, with decency, dignity and respect. We conduct business in ways that promote, protect and advance human rights, and embed respect for human rights within our own operations and across our value chain. We continue to assess and monitor our risks and impacts in this sphere. Our approach is guided by our Mastercard Board-approved Human Rights Statement, which identifies and prioritizes the human rights most correlated with our business, and our Modern Slavery and Human Trafficking Statement, which outlines the steps we take to ensure that our business and supply chains are free from human rights abuses including modern slavery and human trafficking. Sections of our Code of Conduct, Supplier Code of Conduct and Mastercard Network Rules also outline our human rights-related expectations and methods of accountability.

We expect our employees and partners, including suppliers, customers and peer organizations, to share our commitment to respecting and promoting human rights and identifying and addressing human rights abuses. Our Supplier Code of Conduct, which aligns with our Human Rights Statement and Modern Slavery and Human Trafficking Statement, sets out universal principles, guidelines and expectations for our suppliers. The Supplier Code of Conduct covers topics such as raising concerns, reporting unethical behavior, confidentiality, ethics and compliance and we continually revise the code of conduct to align with new regulations and changing environments.

Our suppliers are contractually bound by standards of ethical conduct when dealing with their workers, their own suppliers, customers and other third parties. They also are contractually required to meet or exceed our high standards for privacy and security.

In 2022 we continued to screen our suppliers and performed supplier audits. We will continue to implement initiatives to mitigate the risk of human rights violations.

Working environment

We respect and prioritize the well-being of our employees, and we strive to create a non-discriminatory, safe, and healthy physical and psychological working environment. We also focus on preventing work-related illness. Our aim is to ensure that all our employees have a healthy work-life balance and can reconcile the demands of working life and family life. This includes our partnership with Thrive Global <https://thriveglobal.com>.

We have established a hybrid working environment giving employees the flexibility they need when deciding where to work. This includes guidelines and tools for how to manage flexibility, as well as necessary office equipment and IT equipment. In addition to our flexible hybrid work policy, we introduced quarterly meeting-free days and the option to work remotely full-time for up to four weeks per year from any location.

We continue to strive to improve well-being among our employees and welcomed the independent statutory workplace evaluation (APV), which highlighted Mastercard Payment Services Denmark A/S as a workplace which - with very few exemptions - scores above industry benchmarks. Especially areas such as relationship with colleagues (score of 79 vs. benchmark average of 76) as well as trust in and from direct line manager, supervisor or team leader (score of 86 vs. benchmark average of 77) was highlighted as areas in which Mastercard Payment Services Denmark A/S scored particularly well in 2022. As we strive to always be better, the Executive Management have asked for findings of the workplace evaluation to be broken down into department-specific reports, and all department managers have been asked to provide action plans on how to improve wellbeing.

Management's review

Operating review

Learning and development

We focus on learning to drive innovation and growth, including a focus on scaling digital fluency globally, product training certification, creating an environment for employees to drive their own learning, and focusing on developing capability in key skill areas. This includes ongoing development conversations and personalized development plans, a focus on talent movement, including career moves and rotations, and access to our learning academies and training resources from technical updates to personal development, leadership training and well-being.

Unlocked is Mastercard's new digital opportunity marketplace. Through it, employees can find a wide range of career development opportunities, including project-based, volunteering, pro bono and mentoring opportunities. We believe Unlocked will help future-proof the workforce by accelerating upskilling and reskilling, allowing us to redeploy talent quickly where the business needs are highest. In addition, Unlocked provides access to the full talent pool at Mastercard to help us address collective business challenges.

Reporting on anti-corruption and bribery cf. sections 99a of the Danish Financial Statements Act

At Mastercard, we are committed to doing business the right way. This means operating ethically, honestly, fairly and transparently, and in compliance with laws and regulations everywhere we do business. Our commitment is deeply embedded in our culture, shapes every interaction with our employees and stakeholders, and is reflected in how we live our corporate values of decency, integrity and respect.

Every Mastercard employee is enrolled annually in a mandatory, in-depth curriculum of online compliance training, which includes subjects such as the Code of Conduct, anti-money laundering, economic sanctions, privacy compliance, information security, prevention of insider trading and workplace conduct, including sexual harassment and discrimination. Failure to complete this mandatory training within the prescribed time period may result in escalation, up to and including shut-off of the employee's network access.

In 2022, all Mastercard Payment Services employees signed the Code of Conduct and have been through the mandatory compliance training which addresses the risk of corruption and bribery. In 2023 we will continue to hold ourselves accountable for behaving in a way that is consistent with the Code of Conduct.

Mastercard employees also participate in the Risk Clarity Survey, conducted by a third party and designed to take the pulse of our ethics and accountability culture globally. The survey assesses our culture of integrity by measuring the attributes that most strongly indicate reduced risk of misconduct. We use the results of this anonymous survey to drive improvements that reinforce our ethical culture. The survey can help us direct ethics and compliance training in a more efficient and effective manner by identifying locations or business units that may need additional employee or manager training, or additional communications promoting our culture of ethics and accountability.

At Mastercard, we promote a "speak up" culture and encourage employees to report any ethical or legal concerns. Our Mastercard Ethics Helpline, hosted by an independent third party, is a confidential, around-the-clock service for reporting activity suspected of violating the law, our Code of Conduct or any other company policy. We promptly investigate all concerns and bring in external support, such as outside counsel, as needed. To increase transparency regarding our investigative process and associated outcomes, twice a year we provide our employees with a Summary of Investigative Activity that contains investigative metrics and selected anonymized case profiles.

To encourage the use of the Helpline and other avenues for raising ethical and legal concerns, we have a Non-Retaliation Policy. Anyone found in breach of the Non-Retaliation Policy will be subject to disciplinary action, up to and including termination of employment.

Management's review

Operating review

Reporting on gender and diversity: cf. sections 99b of the Danish Financial Statements Act

Diversity

Mastercard sees diversity as an important prerequisite for the long-term well-being of the company. We aspire to be an attractive workplace for all current and future employees. We aim to offer employment on an equal basis, ensuring that all our colleagues have equal opportunities to promote their careers in the company, regardless of their nationality, ethnicity, disability, age, gender, sexual orientation, religion, or belief. When filling management positions, Mastercard strives to broaden the field of candidates as much as possible, to give all equal opportunities. In addition, requirements to external recruitment agencies include gender diversity measures.

The current gender composition across Mastercard Payment Services Denmark is 41%/56% (male/female) and with 3% not identifying as either male or female.

The Board of Directors of Mastercard Payment Services Denmark A/S has set the following targets:

Targets for The Board of Directors

- 2022 Current percentage of women: 20%
- 2025 At least 33% of the members of the Board in the Company must be women.
- 2030 At least 40% of the members of the Board in the Company must be women.

Mastercard Payment Services Denmark A/S is on track to reaching 33% female representation at Board of Directors level by 2025. In 2022, based on the skills audit conducted by the Board of Directors, Risk Management was identified as needing representation at the Board of Directors. Based on this assessment a candidate was recruited increasing representation in the Board of Directors to 20% (1 of 5 members). Similar skills audits will be performed in 2023 and based on the results a recruitment process will be implemented, keeping the need for better representation as a key parameter.

Targets for the Executive team

- 2022: N.a. (only one CEO, male)

Targets for the gender composition of managers

- 2022 Current percentage of women: 33%
- 2025 At least 40%
- 2030 At least 40%

Our strategy focuses on recruitment, development, succession, and retention, including:

- Attracting top talent with the strength of our brand, which includes our culture of being a “force for good”.
- Strong development and succession planning for key roles, including talent and leadership programs across various levels that:
 - Embed our culture principles
 - Focus on diverse populations
 - Aim to develop talent and people managers through personalized and group executive development programs

Management's review

Operating review

- One of the initiatives in Mastercard Payment Services is the Nordic Mastercard Women Leadership Network, a global Mastercard community that unlocks enhanced career opportunities for women, encourages entrepreneurship, inspires success and empowers female leaders.

Being an active part of the local community

Technology for all

In 2022, we introduced Mastercard's signature science, technology, engineering, and mathematics (STEM) program, Girls4Tech™ in Denmark. We are on a mission to create greater diversity in the technology industry, and we want to spark curiosity for the girls participating and inspire them to pursue a career in tech. Mastercard also introduced the program as a part of a countrywide initiative, Girls' Day in Science, where 140 companies and organisations joined forces to teach STEM-skills to girls and young women.

A strong fintech ecosystem

In 2022, we expanded and strengthened the collaboration with Copenhagen Fintech with a joint focus on growth, knowledge sharing and innovation opportunities through multiple programs and services ranging from open banking to start-up programs. The collaboration runs across Mastercard and also includes Mastercard Lighthouse, a Nordic and Baltic FinTech initiative that is an innovation project and accelerator program for startups.

A culture of volunteering

At Mastercard, we support our communities, and through our employees' volunteer efforts, we're making a difference. By combining social purpose with talent development, we're advancing a purpose-driven culture at Mastercard. It also provides opportunities for team building and networking across teams and business units. Living our values and service to the community go hand in hand. In this spirit, Mastercard offers each employee up to five workdays per calendar year to engage in eligible volunteer and community outreach activities.

The Community Service Days are driven by individual curiosity, support, and engagement and sometimes on projects organized for larger groups, such as above mentioned Girls4Tech activity. We will continue to highlight the opportunities and benefits to increase the impact of volunteering.

Reporting on data ethics: cf. sections 99d of the Danish Financial Statements Act

Mastercard's commitment to decency extends to the way we handle data and informs our belief that data protection and privacy are fundamental human rights. This idea is central to our decision-making process and is demonstrated by the way we handle the personal information of our employees, customers and cardholders.

We're committed to managing personal data safely and securely and in ways that are ethical, compliant and of benefit to individuals. Mastercard has developed seven principles that guide our own practices as we continue our journey as responsible data stewards. Link to <https://www.mastercard.us/en-us/mission/corporate-responsibility/data-responsibility.html>

Management's review

Operating review

Mastercard's global team of talented privacy professionals is embedded across all parts of the organization and is rapidly upskilling to meet the demand of an increasingly complex regulatory and technological environment. Experts in compliance assurance, AI, cybersecurity, cutting-edge privacy engineering programs and government engagement, Mastercard's Privacy team regularly works with policymakers, industry bodies and other key stakeholders around the world to enable businesses to operate globally and use data for responsible innovation while enacting strong privacy and data protections for individuals.

Our Privacy by Design and Data by Design processes have been developed to ensure we embed privacy, security and data controls in all of our products and services, keeping a clear focus on protecting customers' and individuals' data. Our Data management and governance policy provides all employees with information to ensure that Mastercard's data is protected; its viability and availability is maintained for long-term business development and innovation; it is of good quality; and that it is used in an ethical, safe, and responsible manner. Mastercard regards data as an enterprise asset and therefore protects it from reputational and disintermediation risks. This policy is supported by guiding principles and binding Data Standards that, when applicable, provide additional requirements and controls.

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Income statement

DKK'000	Note	2022	2021
Revenue	2	1,636,973	1,605,291
Other external costs		<u>-1,184,042</u>	<u>-1,047,349</u>
Gross profit		452,931	557,942
Staff costs	3	-192,931	-181,568
Depreciation, amortisation and impairment losses		<u>-48,574</u>	<u>-41,021</u>
Profit before financial income and expenses		211,426	335,353
Other financial income	5	6,101	652
Other financial expenses	6	<u>-13,044</u>	<u>-9,948</u>
Profit before tax		204,483	326,057
Tax on profit for the year	7	<u>-15,877</u>	<u>-1,063,764</u>
Profit/loss for the year	8	<u><u>188,606</u></u>	<u><u>-737,707</u></u>

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Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
ASSETS			
Fixed assets			
Intangible assets	9		
Completed development projects		87,841	110,482
Development projects in progress		<u>72,640</u>	<u>34,860</u>
		<u>160,481</u>	<u>145,342</u>
Property, plant and equipment	10		
Leasehold premises		22,553	0
Fixtures and fittings, tools and equipment		18,788	7,167
Leasehold improvements		<u>57,446</u>	<u>0</u>
		<u>98,787</u>	<u>7,167</u>
Investments	11		
Deposits		<u>2,936</u>	<u>0</u>
Total fixed assets		<u>262,204</u>	<u>152,509</u>
Current assets			
Receivables			
Trade receivables		91,193	87,427
Receivables from group entities		1,407,945	1,289,217
Deferred tax asset	12	252,981	252,981
Corporation tax		0	14,190
Prepayments	13	<u>20,388</u>	<u>13,952</u>
		<u>1,772,507</u>	<u>1,657,767</u>
Cash at bank and in hand		<u>1,023,562</u>	<u>1,053,869</u>
Total current assets		<u>2,796,069</u>	<u>2,711,636</u>
TOTAL ASSETS		<u><u>3,058,273</u></u>	<u><u>2,864,145</u></u>

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Balance sheet

DKK'000	Note	31/12 2022	31/12 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	2,000	2,000
Reserve for development costs		125,175	113,367
Retained earnings		<u>2,432,549</u>	<u>2,470,751</u>
Total equity		<u>2,559,724</u>	<u>2,586,118</u>
Provisions			
Other provisions	15	<u>57,868</u>	<u>45,509</u>
Total provisions		<u>57,868</u>	<u>45,509</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Lease obligations	16	<u>18,635</u>	<u>0</u>
Current liabilities other than provisions			
Current portion of non-current liabilities		5,857	0
Trade payables		33,964	13,942
Payables to group entities		132,167	37,121
Corporation tax payables to group entities		15,100	0
Other payables		<u>234,958</u>	<u>181,455</u>
		<u>422,046</u>	<u>232,518</u>
Total liabilities other than provisions		<u>440,681</u>	<u>232,518</u>
TOTAL EQUITY AND LIABILITIES		<u>3,058,273</u>	<u>2,864,145</u>
Fees to auditor appointed at the general meeting	4		
Contractual obligations, contingencies, etc.	17		
Related party disclosures	18		
Disclosure of events after the balance sheet date	19		

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Statement of changes in equity

DKK'000	Contributed capital	Reserve for development costs	Retained earnings	Proposed extraordinary dividends	Total
Equity at 1 January 2022	2,000	113,367	2,470,751	0	2,586,118
Transfers, reserves	0	11,808	-11,808	0	0
Transferred over the profit appropriation	0	0	-26,394	215,000	188,606
Extraordinary dividends paid	0	0	0	-215,000	-215,000
Equity at 31 December 2022	2,000	125,175	2,432,549	0	2,559,724

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Cash flow statement

DKK'000	Note	2022	2021
Profit for the year		188,606	-737,707
Other adjustments of non-cash operating items	20	35,179	1,118,569
Depreciation, amortisation and impairment losses		48,574	41,021
Cash generated from operations before changes in working capital		272,359	421,883
Changes in working capital	21	64,133	-1,433,302
Cash generated from operations		336,492	-1,011,419
Interest income		6,101	652
Interest expense		-13,044	-9,948
Corporation tax received		13,413	1,195,074
Cash flows from operating activities		342,962	174,359
Acquisition of intangible assets		-52,412	-39,767
Acquisition of property, plant and equipment		-102,921	-7,167
Acquisition of investments		-2,936	0
Cash flows from investing activities		-158,269	-46,934
Shareholders:			
Extraordinary dividends distributed in the year		-215,000	0
Cash flows from financing activities		-215,000	0
Cash flows for the year		-30,307	127,425
Cash and cash equivalents at the beginning of the year		1,053,869	926,444
Cash and cash equivalents at year-end		1,023,562	1,053,869

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1 Accounting policies

The annual report of Mastercard Payment Services Denmark A/S for 2022 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that 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 it is probable that future economic benefits will flow from the company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual financial statement item.

In recognising and measuring assets and liabilities, any gains and losses, and risks occurring prior to the presentation of the Annual Report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

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

IFRS 15 is applied as basis for the recognition and measurement to align with the accounting policies for the Group.

Revenue is recognised as the gross amount excluding VAT, taxes and duties, interchange fees and processing fees and discounts in relation to the sale.

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1 Accounting policies (continued)

Other external costs

External costs incurred in generating the revenue for the year comprise consulting and administration costs, as well as group management fee income.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development projects

Capitalised development costs are amortised over their estimated useful lives of 3–7 years. Development costs that are directly attributable to the design and testing of identifiable and unique projects including software products controlled by the company 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

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Notes

1 Accounting policies (continued)

- 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.

Property, plant and equipment

Leasehold premises, fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold premises	5 years
Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments

Deposits are recognised at amortised cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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Notes

1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company's leases generally relate to property or office equipment. Lease terms are negotiated on an individual basis and do not impose any covenants. The lease term is determined by the non-cancellable period of the lease, together with; optional renewable periods if the Company is reasonably certain to extend; and periods after an optional termination date if the Company is reasonably certain not to terminate early.

As a Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liabilities in 'Lease liabilities' in the statement of financial position.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayments of costs incurred relating to subsequent financial years.

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Notes

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the developments costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable, but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to a better-than-expected outcome in the related activities in terms of cash outflow.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for 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 value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

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Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

Cash flow statement

The cash flow statement shows the Company's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the 2022 share of profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in size or composition of the Company's share capital and costs in this respect as well as raising of loans, instalments on interest-bearing debt and distribution of dividends to owners.

Cash and cash equivalents

Cash and cash equivalents is comprise bank deposits.

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Notes

DKK'000	2022	2021
2 Revenue		
Service line		
Corporate service	1,520,175	1,517,594
Other service	116,798	87,697
	<u>1,636,973</u>	<u>1,605,291</u>
Geographical information		
Denmark	1,493,559	1,488,305
Nordics	118,624	88,048
Europe	18,354	16,387
Others	6,436	12,551
	<u>1,636,973</u>	<u>1,605,291</u>
3 Staff costs		
Wages and salaries	176,931	165,734
Pensions	15,384	15,257
Other social security costs	616	577
	<u>192,931</u>	<u>181,568</u>
Average number of full-time employees	<u>184</u>	<u>181</u>
<p>In accordance with section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Management is not disclosed.</p> <p>The Board of Directors did not receive any salary, pension arrangement or other remuneration from the Company for the function in the Board.</p>		
4 Fees to auditor appointed at the general meeting		
Audit related services	2,186	940
Other services	1,565	931
	<u>3,751</u>	<u>1,871</u>
5 Other financial income		
Interest income	4,333	0
Exchange gains	1,768	652
	<u>6,101</u>	<u>652</u>

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DKK'000	<u>2022</u>	<u>2021</u>	
6 Other financial expenses			
Interest expenses	7,785	5,263	
Other financial costs	5,230	3,840	
Exchange losses	29	845	
	<u>13,044</u>	<u>9,948</u>	
7 Tax on profit for the year			
Current tax for the year	15,100	-14,190	
Deferred tax for the year	0	1,079,098	
Adjustment of tax concerning previous years	777	-1,144	
	<u>15,877</u>	<u>1,063,764</u>	
8 Proposed profit appropriation/distribution of loss			
Extraordinary dividends distributed in the year	215,000	0	
Retained earnings	<u>-26,394</u>	<u>-737,707</u>	
	<u>188,606</u>	<u>-737,707</u>	
9 Intangible assets			
DKK'000	Completed development projects	Development projects in progress	Total
Cost at 1 January 2022	171,469	34,860	206,329
Additions for the year	0	52,412	52,412
Transfers for the year	14,632	-14,632	0
Cost at 31 December 2022	<u>186,101</u>	<u>72,640</u>	<u>258,741</u>
Amortisation and impairment losses at 1 January 2022	-60,987	0	-60,987
Amortisation for the year	<u>-37,273</u>	<u>0</u>	<u>-37,273</u>
Amortisation and impairment losses at 31 December 2022	<u>-98,260</u>	<u>0</u>	<u>-98,260</u>
Carrying amount at 31 December 2022	<u>87,841</u>	<u>72,640</u>	<u>160,481</u>

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10 Property, plant and equipment

DKK'000	Leasehold premises	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2022	0	7,167	0	7,167
Additions for the year	25,205	13,299	64,417	102,921
Cost at 31 December 2022	25,205	20,466	64,417	110,088
Depreciation for the year	-2,652	-1,678	-6,971	-11,301
Depreciation and impairment losses at 31 December 2022	-2,652	-1,678	-6,971	-11,301
Carrying amount at 31 December 2022	22,553	18,788	57,446	98,787
Assets held under finance leases	22,553	189	0	22,742

11 Investments

DKK'000	Deposits
Cost at 1 January 2022	0
Additions for the year	2,936
Cost at 31 December 2022	2,936
Carrying amount at 31 December 2022	2,936

12 Deferred tax assets

DKK'000	31/12 2022	31/12 2021
Deferred tax at 1 January	252,981	1,332,079
Deferred tax adjustment for the year in the income statement	0	-1,079,098
	252,981	252,981
Provisions for deferred tax relate to:		
Goodwill, etc.	1,475,489	1,263,641
Development projects	-41,725	-31,975
Finance leased assets	455	0
Operating equipment	12,242	14,570
Leasehold improvements	1,756	0
Write-downs for bad debt	79	21
Accounting provisions	-20,816	-40
Impairment of deferred tax asset	-1,174,499	-993,236
	252,981	252,981

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12 Deferred tax assets (continued)

The corporate tax rate is scheduled to increase from 22% to 26% from 1 January 2024 for companies subject to regulation under the Danish FSA. As a result, the deferred tax asset in 2022, before impairment, has been calculated as 26% of the basis of computation, increasing the value of DKK 225m. The impairment of the deferred tax asset has been adjusted in line with normal practice.

13 Prepayments

Prepayments comprise prepaid costs relating to employees expenses and software licences.

14 Equity

The contributed capital consists of 2,000,000 shares of a nominal value of DKK 1 each.

All shares rank equally.

15 Provisions

DKK'000	31/12 2022	31/12 2021
Provisions 1 January 2022	45,509	0
Used during the year	-37,390	0
Provisions for the year	49,749	45,509
	<u>57,868</u>	<u>45,509</u>

The provision relates to VAT for the TSA invoices under dispute with Nets Denmark A/S. In December 2022 the parties reached an amicable agreement which resulted in release of DKK 37.4m, the remaining balance has been settled in February 2023.

16 Non-current liabilities other than provisions

Liabilities other than provisions can be specified as follows:

0-1 years	5,857	0
1-5 years	18,635	0
	<u>24,492</u>	<u>0</u>

17 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly taxed with other Danish companies in the Mastercard Group. Together with the other companies included in the joint taxation, the Company has joint and several unlimited liabilities for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

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18 Related party disclosures

Mastercard Payment Services Denmark A/S' related parties comprise the following:

- Mastercard/Europay U.K. Limited (Parent entity)
- Mastercard Europe SA (Group entity)
- Mastercard Payment Services Norway AS (Group entity)
- Mastercard Europe Services Limited (Group entity)

Control

Mastercard/Europay U.K. Limited, 10 Upper Bank Street, 19th Floor, London, Great Britain.

Mastercard/Europay U.K. Limited holds the entire capital in the Company.

Mastercard Payment Services Denmark A/S is part of the consolidated financial statements of Mastercard incorporated, 2000 Purchase Street, NY 10577 - Delaware, ID nr. 13-4172551, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Mastercard Incorporated can be obtained by contacting the company at the address above.

Related party transactions

DKK'000	<u>2022</u>
Sale of services	110,984
Purchase of services	-110,146
Receivables	1,407,945
Payables	-132,167
Corporation tax payables to group entities	-15,100

Remuneration to the Company's Executive management and Board of Directors is disclosed in note 3

19 Disclosure of events after the balance sheet date

There were no significant events subsequent to 31 December 2022 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

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20 Other adjustments

DKK'000	2022	2021
Other financial income	-6,101	-652
Other financial expenses	13,044	9,948
Tax on profit for the year	15,877	1,063,764
Provisions	12,359	45,509
	<u>35,179</u>	<u>1,118,569</u>

21 Change in working capital

Change in receivables	-128,930	-1,493,295
Change in trade and other payables	193,063	59,993
	<u>64,133</u>	<u>-1,433,302</u>