

## Financial results for H1 2020

### **COVID-19 impact**

As national COVID-19 containment measures were implemented across most of Nets' home markets in March 2020, Nets experienced declining transaction volumes especially during March and April. Despite the COVID-19 pandemic impact Nets has kept momentum in its strategic transformation as the half-year progressed; beginning in May 2020 COVID-19 restrictions were eased and transaction volumes significantly improved.

During the COVID-19 period Nets has launched several cost and risk mitigating initiatives to offset potential impacts from COVID-19. As we saw volumes come back, we again allowed investments into market opportunities, e.g. to take advantage of the increased cash to card conversion and significant increase in eCom activity that has been fuelled by the COVID-19 situation, as well as into the continued transformation of our business. In retrospect, the measures taken have proven effective as Nets steered safely through the quarter, while carefully monitoring potential impacts from the COVID-19 pandemic on the financial performance for 2020.

### **Presentation of Corporate Services**

In August 2019, it was announced that the Nets Group will sell its account-to-account business to Mastercard for EUR 2,850 million. The divestment comprises a major line of business whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the other business areas. Consequently, the account-to-account business is presented as a discontinuing operation with the result after tax presented separately in the income statement with comparative figures, which is in line with the 2019 financial statements. On 17 August, the European Commission granted a conditional clearance of the sale of Corporate Services (CS) to Mastercard. With the conditional clearance granted, Nets is working with Mastercard to close the transaction as soon as possible.

### **Revenue**

The first half of 2020 started off building on the strong foundation laid in 2019, with continued healthy progress across both business units. Starting in March, Nets experienced headwind from decreasing volumes as the effects of national COVID-19 pandemic containment strategies began impacting our business.

The end of the first half of 2020 was characterised by a gradual and steady recovery, broadly tracking the re-opening of societies in our home markets. While financial acquiring/POS in MS and Issuer Services in leS gradually improved from their COVID-19 low-points in April 2020, eCom further increased its momentum and continued the impressive start to the year with revenue growth of more than 30% in H1.

Net revenue in H1 2020 was EUR 337 million (H1 2019: EUR 363 million), down by 7% on a reported basis and 9% organically. The decrease was driven primarily by the impact of COVID-19, accompanied by foreign exchange rate developments, as the NOK deteriorated against the EUR in H1 2020 translating into an approximate drag on revenue of 2.7% from the EUR/NOK development.

Merchant Services' Net Revenues realised a negative organic growth of 10% compared to H1 2019, driven by especially Financial Acquiring and POS, only partly offset by strong growth in eCommerce.

Issuer & eSecurity Services' Net Revenues showed a negative organic growth in H1 2020 of 8% compared to H1 2019, primarily driven by the Issuer Services, due to lower volumes than H1 2019 only partly offset by Digital Enablement due to a high level of implementation revenue.

### **Operating expenses**

The total operating expenses decreased compared to H1 2019, mainly due to the ongoing transformation of our business and to COVID-19 cost initiatives launched during H1 of 2020. The total operating expenses in H1 2020 were EUR 224 million (H1 2019: EUR 228 million), equal to 66% of net revenue. Total operating expenses decreased by 2% from H1 2019.

### **Cost of sales**

Cost of sales in H1 2020 were EUR 19 million (H1 2019: EUR 18 million), which, adjusted for acquisitions, is in line with H1 2019.

### **External expenses**

External expenses in H1 2020 were EUR 98 million (H1 2019: EUR 90 million). The higher external expenses were mainly due to new acquisitions as well as consulting fees driven by implementation project activities in Issuer & eSecurity Services.

Other external expenses include consulting fees related to IT, cost related to sourcing partners and spending on hardware/software.

#### **Staff cost**

Staff costs in H1 2020 were EUR 107 million (H1 2019: EUR 120 million). The decrease in staff cost was primarily driven by a reduction in the workforce effectuated in H1 2020, combined with strong execution of the COVID-19 cost initiatives.

#### **EBITDA before special items (b.s.i.)**

EBITDA b.s.i. in H1 2020 was EUR 113 million (H1 2019: EUR 135 million). This corresponds to an underlying EBITDA b.s.i. margin in H1 2020 of 34% (H1 2019: 37%). The decline is fully attributed to the top line development driven by the impact from COVID-19, which was partially offset by effective cost initiatives.

#### **Special items**

Special items in H1 2020 were EUR 52 million (H1 2019: EUR 42 million). Special items in H1 2020 were driven by EUR 23 million of transformation costs, EUR 17 million of expenditures related to reorganisation, restructuring costs and refurbishment (mainly staff reductions), EUR 7 million of costs associated with business setups, acquisitions and disposals, and finally EUR 5 million exceptional COVID-19 related costs.

#### **EBITDA**

The operating performance in H1 2020 was EUR 61 million (H1 2019: EUR 93 million), driven by the impact from COVID-19.

#### **Depreciation and amortisation**

In H1 2020, underlying depreciation and amortisation were EUR 42 million (H1 2019: EUR 39 million). The increase of EUR 3 million is primarily due to a completed developed software and partly an effect of other tangible assets acquisitions.

Amortisation of business combination and impairment losses in H1 2020 amounted to EUR 42 million (H1 2019: EUR 39 million). The increase is mainly due to the acquisition of P24 in Q3 2019.

#### **EBIT**

EBIT amounted to EUR -16 million (2019, H1: EUR 21 million).

Adjusted EBIT from continuing operations<sup>1</sup> in H1 2020 was EUR 71 million (H1 2019: EUR 97 million).

#### **Net financials**

Financial income in H1 2020 amounted to EUR 61 million (H1 2019: EUR -49 million). Net financials were significantly impacted by the development in the EUR/NOK foreign exchange

rate, which impacted the NOK denominated Nets A/S inter-company loan from Parent company. The foreign exchange adjustment resulted in an income of EUR 58 million, whereas the corresponding adjustment in H1 2019 was an expense of EUR 20 million. H1 2020, was also impacted by a realized income on derivatives of EUR 12 million.

Adjusted net financials in H1 2020 were EUR 28 million (H1 2019 EUR 27 million).

#### **Tax**

Taxes in H1 2020 was an income of EUR 4 million corresponding to an effective tax rate ("ETR") of 8.9% (H1 2019: EUR -3 million, ETR of 10.7%). In comparison to an expected ETR of 23%, the actual ETR was mainly affected by positive impacts from foreign currency translation adjustments of 22%, recognised for tax purposes only, which was partially offset by effect of non-deductible interest expenses of -4%.

#### **Net profit/(loss)**

Net profit in H1 2020 from continuing operations was EUR 49 million (H1 2019: EUR -32 million). Net profit including the performance of discontinuing operations was EUR 81 million (Q2 2019: EUR 2 million).

#### **Result from discontinuing operations**

Result from discontinuing operations in H1 2020 was EUR 32 million (H1 2019: EUR 34 million). The mainly relates to an increase in cost related to the sales process, which was partially offset by a decrease in Depreciation and Amortisation. Depreciation and Amortisation was stopped when the assets were classified as being held for sale.

#### **Adjusted net profit**

Adjusted net loss in H1 2020 from continuing operations was negative EUR 33 million (H1 2019: profit EUR 53 million). The decrease was driven by lower operating profit b.s.i., alongside higher underlying depreciation and amortisation.

#### **Balance sheet and cash flow**

##### **Tangible and intangible assets**

As of H1 2020, total assets amounted to EUR 3,872 million (H1 2019: EUR 4,454 million). Total non-current assets as of H1 2020 amounted to EUR 1,959 million (H1 2019: EUR 2,638 million), impacted by a reclassification of assets held for sale.

Total current assets as of H1 2020 amounted to EUR 1,913 million (H1 2019: EUR 1,816 million), equal to an increase of

<sup>1</sup> Calculated as EBITDA b.s.i. minus underlying depreciation and amortisation

EUR 97 million, mainly related to assets held for sale previously classified as non-current assets, offset by a decrease in clearing-related assets.

### **Equity**

Total equity as of H1 2020 amounted to EUR 1,556 million compared to EUR 1,523 million at the beginning of the year. The increase was driven by the net result and a net negative impact of currency translation of foreign enterprises and hedge instruments, driven by the NOK exchange rate deterioration against the EUR.

### **Cash flow**

In H1 2020, net cash flow from operating activities, including discontinuing operations, excluding clearing working capital, was EUR 70 million (H1 2019: EUR 110 million).

The H1 2020 operating cash flow was negatively impacted by lower EBITDA of EUR 35 million compared to H1 2019 and increased special items of EUR 10 million compared to H1 2019 partly offset by lower interest and taxes paid (EUR 6m).

Cash flow from investing activities in H1 2020 amounted to EUR -117 million (H1 2019: EUR -122 million), consisting of capital expenditures in H1 2020 of EUR 106 million (H1 2019: EUR 49 million). Capital expenditure in H1 2020 was primarily related to development projects including software.

Operating free cash flow<sup>2</sup> in H1 2020 amounted to EUR 0 million (Q2 2019: EUR 103 million).

Net cash flow from financing activities in H1 2020, excluding clearing-related balances, was EUR 56 million (H1 2019: EUR -61 million). In H1 2020, financing activities excluding clearing-related balances were primarily impacted by drawings on existing RCF facilities EUR 65 million, a one-off gain on settlement of derivatives of EUR 12 million, which was partially offset by loans to Group entities of EUR 12 million and repayments of finance lease liabilities of EUR 11 million.

### **Clearing working capital**

As of 30 June 2020, clearing-related assets (clearing debtors) amounted to EUR 549 million (30 June 2019: EUR 1,336 million) and clearing-related liabilities amounted to EUR 664 million (H1 2019: EUR 1,583 million) leading to a clearing working capital (CWC) as of H1 2020 of EUR -115 million (H1 2019: EUR -247 million), which represents a positive clearing-related cash balance for the Nets Group. The development compared to last year is mainly attributed to lower financial acquiring volumes in 2020.

### **Net interest-bearing debt**

As of 30 June 2020, net interest-bearing debt, in accordance with IFRS GAAP, amounted to EUR 986 million (30 June

2019: EUR 948 million). The increase was driven by draw-downs under the revolving credit facility partly offset by prepayments under the intergroup loan agreements.

### **Events in the reporting period**

#### ***Acquisition of Poplatek and Poplatek Payments***

In January 2020, Nets announced the acquisitions of the Finnish software developer Poplatek and terminal service provider Poplatek Payments. For additional information, refer to Note 6 below and to Note 4.1 in the Groups financial statement for 2019.

#### ***Acquisition of Polskie ePlatnosci***

In March 2020, Nets announced the acquisition of the company Polskie ePlatnosci; a leading Polish payment provider. The acquisition is subject to customary approvals by the Polish authorities.

#### ***Announcement of reduction of workforce***

In January 2020, Nets announced a reduction of the workforce to reduce overlapping roles and functions following years of intense Merger and Acquisition activity.

### **Events after the reporting period**

#### ***Update on Sale of Corporate Services to Mastercard***

On 17 August, the European Commission granted a conditional clearance of the sale of Corporate Services (CS) to Mastercard. As a condition for approving the sale, the EC requires that Mastercard grants a third-party provider an exclusive licence in Europe to the real-time 24/7 clearing technology. With the conditional clearance granted, Nets is working with Mastercard to close the transaction as soon as possible.

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<sup>2</sup> Calculated as EBITDA adjusted for changes in narrow working capital and capital expenditures.

## Income statement

Consolidated income statement		H1	H1
EURm	Note	2020	2019
Revenue, gross		493	545
Interchange fees and processing fees		(156)	(182)
<b>Revenue, net of interchange fees and processing fees</b>	2	<b>337</b>	<b>363</b>
Cost of sales		(19)	(18)
External expenses		(98)	(90)
Staff costs		(107)	(120)
<b>Operating profit before depreciation and amortisation (EBITDA) before special items</b>		<b>113</b>	<b>135</b>
Special items	3	(52)	(42)
<b>Operating profit before depreciation and amortisation (EBITDA)</b>		<b>61</b>	<b>93</b>
Amortisation of business combination intangibles, customer agreements & impairment losses		(35)	(34)
Underlying depreciation and amortisation		(42)	(39)
<b>Operating profit (EBIT)</b>		<b>(16)</b>	<b>20</b>
Fair value adjustment of Visa shares		2	4
Financial income and expenses, net		59	(53)
<b>Net financials</b>		<b>61</b>	<b>(49)</b>
<b>Profit/(loss) before tax</b>		<b>45</b>	<b>(29)</b>
Income taxes		4	(3)
<b>Net profit/(loss) from Continuing operations</b>		<b>49</b>	<b>(32)</b>
<b>Result from discontinuing operations</b>		<b>32</b>	<b>34</b>
<b>Result for the year</b>		<b>81</b>	<b>2</b>
Profit/(loss) is attributable to:			
Owners of continuing operations		45	(33)
Owners of discontinuing operations		32	34
Non-controlling interests		4	1
		<b>81</b>	<b>2</b>

Non-GAAP performance measures continuing operations		
Operating profit before depreciation and amortisation (EBITDA) before special items	113	135
Underlying depreciation and amortisation	(42)	(39)
<b>Adjusted EBIT</b>	<b>71</b>	<b>96</b>
Adjusted net financials	(28)	(27)
<b>Adjusted profit/(loss) before tax</b>	<b>43</b>	<b>69</b>
Adjusted tax, 23%	(10)	(16)
<b>Adjusted net profit for the period</b>	<b>33</b>	<b>53</b>

## Statement of comprehensive income

Consolidated statement of other comprehensive income		H1	H1
EURm		2020	2019
<b>Net profit for the period</b>		<b>81</b>	<b>2</b>
<i>Items that will be reclassified subsequently to the consolidated income statement, when specific conditions are met:</i>			
Currency translation adjustments, foreign enterprises		(38)	(2)
Reclassification of interest swap to the consolidated income statement		(12)	-
Net gains/(losses) on cash flow hedges		1	(1)
<b>Total items that may be reclassified to the consolidated income statement subsequently</b>		<b>(49)</b>	<b>(3)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>(49)</b>	<b>(3)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>32</b>	<b>-</b>
Total comprehensive income for the period is attributable to:			
Owners of continuing operations		(4)	(35)
Owners of discontinuing operations		32	34
Non-controlling interests		4	1
		<b>32</b>	<b>-</b>

## Balance sheet

Consolidated balance sheet		Nets A/S	Nets A/S
EURm	Note	30 Jun 2020	30 Jun 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		1.354	2.010
Other intangible assets		433	463
Plant and equipment		117	109
Investment in associates		33	32
Derivative financial instruments		-	3
Receivables from Group enterprises		12	-
Deferred tax asset		10	21
<b>Total non-current assets</b>		<b>1.959</b>	<b>2.638</b>
<b>Current assets</b>			
Inventories		7	6
Trade and other receivables		125	125
Contract assets		12	4
Clearing-related assets		549	1.336
Prepayments		34	42
Other financial assets		16	16
Receivables from Group enterprises		63	-
Cash and cash equivalent		165	287
Assets held-for-sale		942	
<b>Total current assets</b>		<b>1.913</b>	<b>1.816</b>
<b>Total assets</b>		<b>3.872</b>	<b>4.454</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		27	27
Reserves		1.507	1.414
<b>Equity, owners of Nets A/S</b>		<b>1.534</b>	<b>1.441</b>
Non-controlling interests		22	22
<b>Total equity</b>		<b>1.556</b>	<b>1.463</b>
<b>Non-current liabilities</b>			
Borrowings	4	391	262
Liabilities to Group enterprises	4	633	712
Pension liabilities, net		4	6
Deferred consideration		146	5
Finance lease		58	50
Derivative financial instruments		7	-
Deferred tax liabilities		46	79
<b>Total non-current liabilities</b>		<b>1.285</b>	<b>1.114</b>
<b>Current liabilities</b>			
Deferred consideration		17	25
Finance lease		16	16
Borrowings - Clearing related balances		-	-
Bank overdraft - Clearing related balances	4	-	-
Bank overdraft - Own cash	4	10	3
Trade and other payables		240	233
Liabilities to Group enterprises		9	
Clearing-related liabilities		664	1.583
Other financial liabilities		1	7
Current tax liabilities		20	10
Liabilities associated with assets held-for-sale		54	
<b>Total current liabilities</b>		<b>1.031</b>	<b>1.877</b>
<b>Total liabilities</b>		<b>2.316</b>	<b>2.991</b>
<b>Total equity and liabilities</b>		<b>3.872</b>	<b>4.454</b>

## Statement of cash flow

Consolidated statement of cash flows for the period		Nets A/S 30 Jun 2020	Nets A/S 30 Jun 2019
EURm	Note		
EBITDA bsi. Cont operating business		113	135
Special items continuing operations		(52)	(42)
Operating result (EBITDA) from discontinuing operations		43	55
Other non-cash items		1	1
Change in narrow working capital	5	2	4
Interest and similar items, net		(24)	(28)
Tax paid		(13)	(15)
<b>Net cash flow from operating activities excluding clearing-related balances</b>		<b>70</b>	<b>110</b>
Change in clearing-related balances		12	280
<b>Net cash from operating activities</b>		<b>82</b>	<b>390</b>
Purchase of intangible assets		(99)	(39)
Purchase of plant and equipment		(7)	(10)
Purchase of Dotcard Group		-	(68)
Other Investments		(11)	(14)
Proceeds from Visa shares		-	9
<b>Net cash from investing activities</b>		<b>(117)</b>	<b>(122)</b>
Base fee in connection with shareholder loan		-	-
Proceeds from borrowings		65	25
Repayment of borrowings		-	(10)
Repayment of shareholder loans		(58)	(65)
Proceeds from shareholder loans		60	-
Borrowings to Group entities		(12)	-
Settlement of swap		12	-
Repayment of finance lease liabilities		(11)	(11)
<b>Net cash flows from financing activities excluding clearing-related balances</b>		<b>56</b>	<b>(61)</b>
Borrowings (clearing related)		-	-
Repayment of borrowings (clearing-related)		-	-
<b>Net cash flows from financing activities</b>		<b>56</b>	<b>(61)</b>
<b>Net cash flow for the period</b>		<b>21</b>	<b>207</b>
Cash and cash equivalents at the beginning of the period		136	43
Acquired Cash and Cash equivalents		1	32
Exchange gains/(losses) on cash and cash equivalents		(3)	1
<b>Net cash and cash equivalents at the end of the period</b>		<b>155</b>	<b>283</b>
Bank overdraft (clearing-related balances )		-	-
Bank overdraft (own cash)		10	3
<b>Cash and cash equivalents at the end of the period</b>		<b>165</b>	<b>286</b>
<b>Non-GAAP performance measures</b>			
<b>Net cash and cash equivalents at the end of the period</b>		<b>155</b>	<b>283</b>
Clearing-related assets at the end of period		549	1.336
Clearing-related liabilities at the end of period		(664)	(1.583)
Cash related to pass through Visa proceeds		(1)	(8)
<b>Own cash at the end of the period</b>		<b>39</b>	<b>28</b>
<b>Own cash at the beginning of the period</b>		<b>32</b>	<b>100</b>
Net cash flow from operating activities excluding clearing related balances		70	111
Net cash from investing activities in the year		(117)	(122)
Net cash flows from financing activities excluding clearing related activities		56	(61)
Cash related to pass through Visa proceeds		-	(8)
Own cash acquired from takeover		1	8
Exchange gains/(losses) on cash and cash equivalents		(3)	1
<b>Own cash at the end of the period</b>		<b>39</b>	<b>29</b>

## Statement of changes in equity

Consolidated statement of changes in equity								
	Share capital	Treasury share reserve	Hedge reserves	Currency translation reserves	Retained earnings	Equity, owners Nets A/S	Non-controlling interests	Total equity
EURm								
<b>2020</b>								
Equity 1 January	27	-	4	(81)	1.440	1.391	132	1.523
Net profit for the period	-	-	-	-	77	77	4	81
<b>Other comprehensive income for the year</b>								
Currency translation adjustments, foreign enterprises	-	-	-	(32)	-	(32)	(6)	(38)
Net gain/(loss) on cash flow hedges	-	-	1	-	-	1	-	1
Settlement of interest swap	-	-	(12)	-	-	(12)	-	(12)
Other comprehensive income for the period	-	-	(11)	(32)	-	(43)	(6)	(49)
<b>Total comprehensive income for the period</b>	-	-	(11)	(32)	77	34	(2)	32
Share based payments	-	1	-	-	-	1	-	1
<b>Total changes in equity</b>	-	1	(11)	(32)	78	36	(3)	33
<b>Equity as at 30 June</b>	<b>27</b>	<b>1</b>	<b>(7)</b>	<b>(113)</b>	<b>1.518</b>	<b>1.427</b>	<b>129</b>	<b>1.556</b>

Consolidated statement of changes in equity								
	Share capital	Treasury share reserve	Hedge reserves	Currency translation reserves	Retained earnings	Equity, owners Nets A/S	Non-controlling interests	Total equity
EURm								
<b>2019</b>								
Equity 1 January	27	(8)	3	(79)	1.498	1.441	22	1.463
Net profit for the period	-	-	-	-	2	2	1	3
<b>Other comprehensive income for the year</b>								
Currency translation adjustments, foreign enterprises	-	-	-	(2)	-	(2)	-	(2)
Settlement of interest swap	-	-	(1)	-	-	(1)	-	(1)
Other comprehensive income for the period	-	-	(1)	(2)	-	(3)	-	(3)
<b>Total comprehensive income for the period</b>	-	-	(1)	(2)	2	(1)	1	-
Acquisition of non-controlling interests	-	-	-	-	1	1	(1)	-
<b>Total changes in equity</b>	-	-	(1)	(2)	3	-	-	-
<b>Equity as at 30 June</b>	<b>27</b>	<b>(8)</b>	<b>2</b>	<b>(81)</b>	<b>1.501</b>	<b>1.441</b>	<b>22</b>	<b>1.463</b>

## Note 1 Significant accounting policies

The condensed consolidated interim financial statements of Nets A/S for the period 1 January - 30 June 2020 comprise Nets A/S and its subsidiaries (together referred to as "the group") and associates.

On 8 January 2020, the Group acquired the Poplatek Oy and Poplatek Payments Oy, as from which dates the Poplatek Oy and Poplatek Payments Oy's results are included in the consolidated financial statements.

In connection with the inclusion of the Poplatek Oy and Poplatek Payments Oy, acquired net assets are recognised at fair value and accounting policies are adjusted to match those of the Nets Group. We refer to the acquisitions as described in Note 4.1, in the consolidated financial statements for 2019 for the Group, and to the Note 6 - Business combinations and asset acquisitions, in below.

The comparative 2019 results presented reflects combined activities of the Nets A/S Group.

### Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and additional Danish disclosure requirements.

Except for the changes described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements for 2019. The consolidated financial statements for the Group for 2019 contain a complete description of the accounting policies.

The Nets A/S Group has implemented the latest amendments to the International Financial Reporting Standards (IFRS) effective as of 1 January 2020 as adopted by the European Union. None of the amendments implemented have had any material impact on the Group's financial statements, nor are they expected to have so in the foreseeable future.

### Key accounting estimates and judgements

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

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

Except for the judgements and estimates commented upon in the notes of this interim report, the significant judgements made by Executive Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the Group as at and for the year ended 31 December 2019.

## Note 2 Segment information

### H1 2020

	Merchant Services	Issuer & eSecurity Services	Group
EURm			
<b>Income statement</b>			
Revenue, gross	335	158	493
Revenue, net	179	158	337
Reported growth*	-3.8%	-10.7%	-7.2%
Organic growth**	-10%	-8%	-9%

### H1 2019

	Merchant Services	Issuer & eSecurity Services	Group
EURm			
<b>Income statement</b>			
Revenue, gross	368	177	545
Revenue, net	186	177	363
Reported growth	5.3%	-4.7%	0.2%
Organic growth	4%	-4%	0%

\*MS reported growth YTD 2020 included activities from Prezlewy24

\*\*MS organic growth YTD 2020 does not included activities from Prezlewy24

The Executive Management uses revenue and organic growth as measures to assess the performance of the segments.

### Note 3 Special items

EURm	H1 2020		H1 2019	
	<i>External expenses</i>	<i>Staff costs</i>	<i>External expenses</i>	<i>Staff costs</i>
<b>Special items</b>				
Reorganisation, restructuring costs and refurbishment	(4)	(13)	(17)	(3)
Costs associated with business setups, acquisitions and disposals	(6)	(1)	(7)	(1)
Transformation programme	(19)	(4)	(23)	(5)
Covid-19 related costs	(3)	(2)	(5)	-
<b>Special items, excluding LBO-related costs</b>	<b>(32)</b>	<b>(20)</b>	<b>(52)</b>	<b>(9)</b>
Costs related to take-private transaction	-	-	-	-
<b>Total special items</b>	<b>(32)</b>	<b>(20)</b>	<b>(52)</b>	<b>(42)</b>

Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities. Such costs and income include the cost of extensive restructuring or processes and fundamental structural adjustment, and costs related to the owner structure. They are therefore separately disclosed to allow a more comparable view of underlying business performance.

## Note 4 Borrowings

Term and maturity of the Group's interest-bearing loans and borrowing	Interest Rate			Year of Maturity	Currency	Available facility	Drawn amount	Amount hedged	30 June 2020	30 June 2019
	EURm	Nominal	Effective						Carrying Amount	Carrying Amount
Revolving credit facility <sup>2</sup>		IBOR <sup>1</sup> + 3.25%	3,3%	2024	Multi	240	173	-	173	45
Senior Notes		2.875%	3,7%	2024	EUR	220	220	220	218	217
Loan from Group enterprises (NOK)		NIBOR <sup>1</sup> + 4.00%	5,9%	2025	NOK	484	484	-	474	613
Loan from Group enterprises (EUR)		EURIBOR <sup>1</sup> + 4.35%	4,4%	2025	EUR	79	79	-	79	79
Loan from Group enterprises (EUR)		EURIBOR <sup>1</sup> + 4.00%	4,0%	2021	EUR	80	80	-	80	20
<b>Total long term borrowings (non-current liabilities)</b>									<b>1.024</b>	<b>974</b>
Overdraft facility (own cash) <sup>2</sup>		IBOR1 + 2.5%	2,5%	2021	Multi	24	10	-	10	3
Overdraft facility (clearing-related balances) <sup>3</sup>					Multi	205	-	-	-	-
Money market (clearing-related balances)					Multi	30	-	-	-	-
<b>Total short term borrowings (current liabilities) - Included in own cash calculation</b>									<b>10</b>	<b>3</b>
<b>Total loans and borrowings</b>									<b>1.034</b>	<b>977</b>

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

Net interest bearing debt	30 June 2020	30 June 2019
Total long term borrowings exclusive of finance lease liability (non-current liabilities)	1.024	974
Capitalised debt costs included in carrying amount	2	3
Own cash	(40)	(29)
<b>Net interest bearing debt</b>	<b>986</b>	<b>948</b>

Note 5 Operating free cash flow	H1 2020	H1 2019
Operating profit before depreciation and amortisation and special items (EBITDA) continuing business	113	135
Special items continuing business	(52)	(42)
Operating profit before depreciation and amortisation and special items (EBITDA) discontinuing business	43	55
Change in narrow working capital	2	4
Purchase of intangible assets	(99)	(39)
Purchase of plant and equipment	(7)	(10)
<b>Operating free cash flow</b>	<b>-</b>	<b>103</b>

## Note 6 - Business combinations and asset acquisitions

### ***Poplatek OY and Poplatek Payments OY acquisition***

On 8 January 2020, Nets Denmark A/S acquired 100% of the shares in the Finnish companies Poplatek OY and Poplatek Payments OY. The combined companies have revenue of around EUR 5 million and approximately 40 employees.

The combined purchase price amounted to EUR 15 million. A further additional purchase price of maximum EUR 5 million are subject to certain targets being met. Based on provisionally determined fair values, Goodwill comprises the majority of the purchase price.

The acquisition will support the Merchant Services business with strengthened payment application capabilities and offerings within payment terminal services.

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

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